

Financial Review

(a) Capital structure and liquidity

The capital structure of the Group remained unchanged during the period. There was a reduction of capital commitments since last year end of HK\$305 million.

The Group's gearing remained low during the period with total debts of HK\$326 million against shareholders' funds of HK\$2,898 million. The debt decreased slightly over last year end (HK\$334 million) on account of exchange translation. The debts were made up of short and long term bank loans, notes payable and bank overdraft taken out mainly for purchase of properties, equipment and studio facilities in Taiwan and they were secured to the extent of HK\$128 million by assets of the companies. Out of the total debts, about 5% bears interest at fixed rates whereas the balance is subject to floating rates at 1% to 2% above or below the prevailing basic lending rates of the banks.

The Group was still fairly liquid with cash and bank balances standing at HK\$1,050 million on 30 June 2001. We reckon with the progress payments coming up for the New TV City Project, cash and bank balances will be at a much lower level by the end of this year. We plan to review the overall funding requirements of the Group by that time. Financing requirement of the Hong Kong pay TV operations is kept separate from the Group and is to be arranged.

(b) Contingent liabilities

There were guarantees to the extent of HK\$5.9 million provided to an overseas bank for banking facilities of an investee company.

(c) Exposure to fluctuation in exchange rates and related hedges

As at 30 June 2001, exchange contracts entered into with bankers to sell forward certain foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers amounted to HK\$11.2 million. When translated at rates prevailing at 30 June 2001, the value is very close to the value of these contracts.

EMPLOYEES

As at 30 June 2001, the Group employed, excluding directors and freelance workers but including contract artiste and staff in overseas subsidiary companies, a total of 5,319 full time employees. About 27% of them are employed in overseas subsidiaries and they are paid on a scale and system relevant to their local conditions and legislation. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are offered, apart from a monthly salary, a year end bonus equivalent to one month's salary. Contract artistes are paid either on a show basis or by a package of shows. There was no share option scheme during the period.

USE OF PROCEEDS

The Company received net proceeds of HK\$603 million by a placing of 4.87% shares on 30 April 1999 and a subscription of 20,355,000 new shares on 4 May 1999. The money is kept intact and placed with bankers on time deposits and gilt-edged bonds with maturity timed to coincide with our cash flow requirements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2001, the Company has not redeemed any of its ordinary shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares.

CORPORATE GOVERNANCE

During the six months ended 30 June 2001, 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.

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 unaudited interim accounts for the six months ended 30 June 2001.

DIRECTORS' INTERESTS

As at 30 June 2001 the interests of the directors and chief executive in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

	No. of Ordinary Shares of HK\$ 0.05 each	Nature of Interest
Sir Run Run Shaw (*) (<i>Note</i>)	141,114,828	Corporate
Sir Jack Cater	Nil	
Chow Yei Ching	100,000	Personal
Mona Fong	1,010,000	Personal
Christina Lee Look Ngan Kwan	{ 16,701,000	Corporate
	602,144	Personal
Lee Jung Sen	1,262,415	Personal
Li Dak Sum	200,000	Corporate
Kevin Lo Chung Ping	Nil	
Louis Page	500,000	Personal
Chien Lee	600,000	Personal

Note: For the avoidance of doubt and double counting, it should be noted that duplication of shareholdings occurred between parties (*) shown above and below under "Substantial Shareholders".

The above corporate interests in which the directors and chief executive are taken to be interested are the interests of corporations where the directors and chief executive were either entitled to exercise (or were taken under the Securities (Disclosure of Interests) Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations. Other than the above stated interests, none of the directors and chief executive have any other interests.

The Company did not grant to the directors or chief executive any right to subscribe for shares of the Company.

Apart from the above, no interests were held or deemed or taken (under the Securities (Disclosure of Interests) Ordinance) to be held by any directors or chief executive of the Company in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as at 30 June 2001.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, apart from that disclosed above in respect of the director marked (*) and chief executive, the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

	No. of Ordinary Shares of HK\$0.05 each
Shaw Brothers (Hong Kong) Limited (*) (<i>Note</i>)	113,888,628

Note: For the avoidance of doubt and double counting, it should be noted that duplication of shareholdings occurred between parties (*) shown here and above under "Directors' Interests".

Save for the shares referred to above, no other person was 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 or any of its subsidiaries as at 30 June 2001.

On behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 5 September 2001

The interim report of the Company for the six months ended 30 June 2001 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules is also published on The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk) and the Company's website (www.tvb.com.hk).