



SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

INTERIM REPORT 2002

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 2002, 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 2002 which have been included in the Group's accounts.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

		Unaudited	
		Six months ended 30th September	
		2002	As restated 2001
	Note	HK\$'000	HK\$'000
Turnover	2	30,721	33,895
Cost of sales		(8,922)	(18,378)
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)
Operating (loss)/profit	4	(1,157)	303
Finance costs		(1)	(6)
Share of profits less losses of associated companies		(1,158)	297
Profit before taxation		49,618	79,090
Taxation	5	48,460	79,387
		(7,774)	(14,776)
Profit attributable to shareholders		40,686	64,611
Dividends	6	19,920	39,839
Earnings per share	7	HK\$0.10	HK\$0.16

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER AND 31ST MARCH 2002

		Unaudited 30th September 2002	Audited 31st March 2002
	Note	HK\$'000	HK\$'000
FIXED ASSETS	8	214,349	203,578
ASSOCIATED COMPANIES		828,669	860,437
CURRENT ASSETS			
Inventories		31,899	29,734
Accounts receivable, prepayments, deposits and other receivables	9	21,594	15,006
Taxation recoverable		105	105
Fixed deposits with banks		384,260	331,262
Bank and cash balances		5,017	2,139
		442,875	378,246
CURRENT LIABILITIES			
Creditors and accruals	10	20,997	19,105
Advanced rental received from an associated company		2,350	2,350
Provision for staff long service payments		1,636	1,905
Dividend payable		59,758	-
Bank overdrafts		-	1,381
		84,741	24,741
NET CURRENT ASSETS		358,134	353,505
TOTAL ASSETS LESS CURRENT LIABILITIES		1,401,152	1,417,520
Financed by:			
SHARE CAPITAL		99,598	99,598
RESERVES	11		
Retained profits		1,245,731	1,225,696
2002 proposed final dividend	6(a)	-	59,758
Proposed interim dividend	6(b)	19,920	-
Other reserves		35,903	32,468
		1,301,554	1,317,922
SHAREHOLDERS' FUNDS		1,401,152	1,417,520

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Unaudited	
	Six months ended 30th September	
	2002	As restated 2001
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(9,301)	(24,389)
Net cash inflow from investing activities	66,558	58,122
Increase in cash and cash equivalents	57,257	33,733
Cash and cash equivalents at beginning of the period	332,020	389,490
Cash and cash equivalents at end of the period	389,277	423,223
Analysis of the balances of cash and cash equivalents		
Fixed deposits with banks (maturing within three months)	384,260	422,062
Bank and cash balances	5,017	2,495
Bank overdrafts	–	(1,334)
	389,277	423,223

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Unaudited	
	Six months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
As at 1st April – total equity	1,417,520	1,374,841
Share of reserve movements of an associated company	2,704	(1,070)
Net gains/(losses) not recognised in the profit and loss account	2,704	(1,070)
Profit for the period	40,686	64,611
Final dividend 2002 (2001)	(59,758)	(59,758)
As at 30th September – total equity	1,401,152	1,378,624

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 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 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

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 three 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

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

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

	Six months ended 30th September 2002			Group total
	Property rental	Film distribution	Filming facilities services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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				<u>48,460</u>
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.

2. Segment information (continued)

Primary reporting format – business segments (continued)

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

Note:

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

Secondary reporting format – geographical segments

Although the Group's three business segments are managed on a worldwide basis, they mainly operate in the following geographical segments:

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

Sales are based on the country in which the customer is located. There are no sales between the geographical segments.

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

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

3. Other revenues

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

4. Operating (loss)/profit

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

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

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:

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

6. Dividends

	Six months ended 30th September 2002	30th September 2001
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.05 (2001: HK\$0.10) per ordinary share (<i>Note (b)</i>)	19,920	39,839
	<u>19,920</u>	<u>39,839</u>

Notes:

- (a) At a meeting held on 26th June 2002, the Directors proposed a final dividend of HK\$0.15 per ordinary share for the year ended 31st March 2002, which was paid on 22nd October 2002 and has been reflected as an appropriation of retained profits for the six months ended 30th September 2002.
- (b) At a meeting held on 4th December 2002, the Directors declared an interim dividend of HK\$0.05 per ordinary share for the year ending 31st March 2003. 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 2003.

7. 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.

8. Capital expenditure

	Fixed assets HK\$'000
Six months ended 30th September 2002	
Opening net book amount	203,578
Additions	18,568
Disposals	(11)
Depreciation charge (<i>Note 4</i>)	(7,786)
Closing net book amount	<u>214,349</u>

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 2002	31st March 2002
	HK\$'000	HK\$'000
Current	5,009	873
1 to 3 months	3,843	84
Over 3 months	324	391
	<u>9,176</u>	<u>1,348</u>

The Group has a defined credit policy. The general credit term is 30 to 60 days.

10. Creditors and accruals

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

	30th September 2002	31st March 2002
	HK\$'000	HK\$'000
Current	278	-
1 to 3 months	2	-
Over 3 months	458	663
	<u>738</u>	<u>663</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 2001	1,942	32,982	1,158	1,239,161	1,275,243
Share of reserve movements of an associated company	-	-	(3,614)	(1,445)	(5,059)
Profit for the year	-	-	-	147,335	147,335
2001 final dividend	-	-	-	(59,758)	(59,758)
2002 interim dividend	-	-	-	(39,839)	(39,839)
At 31st March 2002	<u>1,942</u>	<u>32,982</u>	<u>(2,456)</u>	<u>1,285,454</u>	<u>1,317,922</u>
Representing:					
Retained profits				1,225,696	
2002 final dividend				59,758	
At 31st March 2002				<u>1,285,454</u>	
At 1st April 2002	1,942	32,982	(2,456)	1,285,454	1,317,922
Share of reserve movements of an associated company	-	-	3,435	(731)	2,704
Profit for the period	-	-	-	40,686	40,686
2002 final dividend (<i>Note 6(a)</i>)	-	-	-	(59,758)	(59,758)
At 30th September 2002	<u>1,942</u>	<u>32,982</u>	<u>979</u>	<u>1,265,651</u>	<u>1,301,554</u>
Representing:					
Retained profits				1,245,731	
2003 interim dividend (<i>Note 6(b)</i>)				19,920	
At 30th September 2002				<u>1,265,651</u>	

12. Capital commitments

	30th September 2002	31st March 2002
	HK\$'000	HK\$'000
Authorised but not contracted for		
– in respect of property, plant and equipment	380	–
– in respect of the Group's share of contribution to a film studio and ancillary facilities development project	126,766	162,442
	<u>127,146</u>	<u>162,442</u>
Contracted but not provided for		
– in respect of property, plant and equipment	2,326	11,077
– in respect of the Group's share of contribution to a film studio and ancillary facilities development project	31,358	4,782
	<u>33,684</u>	<u>15,859</u>
	<u>160,830</u>	<u>178,301</u>

13. Related party transactions

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

- (i) The Group provided labour and administrative services to certain related companies for management fees totaling HK\$4,264,000 (2001: HK\$4,226,000). The fees for these services were determined by contract agreed between the parties. These related companies are held by a substantial shareholder of the Company.
- (ii) The Group received filming facilities services fees of HK\$2,673,000 (2001: HK\$2,673,000) from an associated company. The fees for these facilities were determined by contract between both parties.
- (iii) The Group received rental income in respect of land and buildings amounting to HK\$8,866,000 (2001: HK\$8,866,000) from an associated company. The rental income was determined by contract between both parties.

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, at Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 3rd January 2003.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th September 2002. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the period.

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.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors and chief executive in the ordinary shares of the Company and of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30th September 2002 were as follows:

Sir Run Run Shaw

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
–	–	297,106,872	–	–	27,286,200	–	–	500

Mona Fong

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
1,378,000	–	–	1,096,000	–	–	–	–	–

Louis Page

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
100,000	–	–	750,000	–	–	–	–	–

Dr. Chow Yei-ching

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
450,000	–	–	100,000	–	–	–	–	–

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 are either entitled to exercise (or are deemed or taken under the SDI Ordinance to be able to exercise) or control the exercise, directly or indirectly, of one-third or more of the voting power in general meetings of such corporations.

Sir Run Run Shaw and Ms. Mona Fong are deemed to have indirect interests (through the Company’s interests) in the shares of other non-listed associated corporations of the Company as a result of their deemed interests in the shares of the Company. Other than the above stated interests, none of the Directors and chief executive have any family interests or other interest (including any deemed to be held through the Company’s interests) in the shares of other non-listed associated corporations of the Company. The Company did not grant to the Directors or chief executive, or to the spouse or children under 18 years of age of any such directors or chief executive, any right to subscribe for shares of the Company.

DIRECTORS' INTERESTS IN SHARES *(continued)*

Apart from the above, no interests were held or deemed or taken (under the SDI Ordinance) to be held by any Director or chief executive of the Company in the share capital of the Company or any of its associated corporations as at 30th September 2002.

At no time during the period was the Company or its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Ordinary shares of HK\$0.25 each
Shaw Holdings Inc.	263,610,872

Note: For the avoidance of doubt and double counting, it should be noted that the above shareholding has already been included in the shareholding stated against Sir Run Run Shaw shown above under Directors' interests in shares.

Save for the shares referred to above, no other person is recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance as having an interest representing 10% or more of the issued share capital of the Company as at 30th September 2002.

Run Run Shaw
Chairman

Hong Kong, 4th December 2002