

## **REPORT OF THE DIRECTORS**

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The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2004.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activities of the Company during the year are investment holding and investments in the media and entertainment industries.

The activities and particulars of the subsidiaries and associated companies are shown in Note 13 and 14 to the accounts respectively.

The analysis of the Group's performance for the year by business and geographical segments is set out in Note 2 to the accounts.

### **RESULTS**

The results of the Group for the year ended 31st March 2004 are set out in the consolidated profit and loss account on page 18.

### **APPROPRIATIONS**

The Directors have declared an interim dividend of HK 5.0 cents per ordinary share, totalling HK\$19,920,000 which was paid on 27th January 2004.

The Directors recommend the payment of a final dividend of HK 15.0 cents per ordinary share, totalling HK\$59,758,000, in respect of the year ended 31st March 2004 payable to shareholders whose names appear on the Register of Members of the Company on 17th September 2004. Final dividend, if approved, will be paid to shareholders on 26th October 2004.

### **SHARE CAPITAL**

The Company did not issue any shares during the financial year. Details of the share capital of the Company are set out in Note 19 to the accounts.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in Note 20 to the accounts.

Distributable reserves of the Company at 31st March 2004, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,568,103,000 (2003: HK\$1,563,978,000).

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group and the Company during the year are shown in Note 12 to the accounts.

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### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 15.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The following directors and senior managers were in office during the year:

#### **Sir Run Run Shaw, GBM**

Aged Ninety-six, has been the Executive Chairman of the Company since its incorporation. He is also the Executive Chairman of Television Broadcasts Limited. Sir Run Run Shaw is the husband of Ms. Mona Fong, the Deputy Chairperson and Managing Director of the Company.

#### **Mona Fong**

Aged Sixty-nine, joined the Company in 1969 and was appointed a Director in 1981, Managing Director in 1996 and Deputy Chairperson in 2001. She is the Executive Chairperson of Shaw Holdings Inc., a substantial shareholder of the Company and the Deputy Chairperson of Television Broadcasts Limited. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong. Ms. Mona Fong is the wife of Sir Run Run Shaw, the Executive Chairman of the Company.

#### **Louis Page**

Aged Fifty-four, has been a senior executive with the Company since 1975 and was appointed a Director in 1988. He is a Director of Shaw Holdings Inc., a substantial shareholder of the Company. He is also the Managing Director of Television Broadcasts Limited.

#### **Jeremiah Rajakulendran**

Aged Fifty-eight, is the Chief Financial Officer of the Company. He joined the Company in 1984 and was appointed Company Secretary in April 1998 which post he relinquished in February 2001. He was appointed a Director in February 2001 and Company Secretary in September 2002.

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### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

#### **The Hon. Sir Ti-liang Yang, GBM; JP**

Aged Seventy-five, was appointed a Non-executive Director of the Company in July 2000. He is a barrister admitted to practice in Hong Kong and served as Chief Justice of Hong Kong for eight years. He was a member of the Executive Council and held a number of Government advisory and other appointments. He was also the Chairman of the Exchange Fund Investment Limited.

#### **Dr. Yei-ching Chow**

Aged Sixty-eight, was appointed a Non-executive Director of the Company in February 2001. He is the founder and chairman of Chevalier Group that comprises two publicly listed companies in Hong Kong. He is a Non-executive Director of Television Broadcasts Limited and Van Shung Chong Holdings Limited. Dr. Chow is the Honorary Consul of The Kingdom of Bahrain in Hong Kong and a standing committee member of the Chinese People's Political Consultative Conference, Shanghai. He also serves in a number of positions in various educational, charitable and trade organisations. He holds an Honorary Degree of Doctor of Laws from The University of Hong Kong and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University.

#### **Julie Yuk-shun Ng**

Aged Fifty-one, was appointed a Non-executive Director of the Company in February 2001. She has a MBA degree from New York University and has been managing her own shipping and trading companies in Hong Kong since 1973.

### DIRECTORS

The Hon. Quo-wei Lee, GBM; JP did not seek for re-election as a director of the Company effective 19th September 2003.

In accordance with Article 88 of the Company's Articles of Association, Dr. Yei-ching Chow and Ms. Julie Yuk-shun Ng retire by rotation, and being eligible, offer themselves for re-election with the unanimous support of other Directors.

### DIRECTORS' INTERESTS

None of the Directors has a service contract with the Company, which is not determinable within one year, without payment of compensation, other than statutory compensation.

The Company has an arrangement with Television Broadcasts Limited for the use of certain facilities in the Company's studio and office spaces. Sir Run Run Shaw, the Executive Chairman of the Company, and Ms. Mona Fong, the Deputy Chairperson and Managing Director of the Company, are also respectively the Executive Chairman and Deputy Chairperson of and have an indirect interest in Television Broadcasts Limited.

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### DIRECTORS' INTERESTS *(continued)*

The Company has an interest in a joint venture company developing a Movie City in Tseung Kwan O, in which Shaw Property Holdings Limited is a shareholder. Ms. Mona Fong has an indirect interest in Shaw Property Holdings Limited as she is a director of both Shaw Property Holdings Limited and its holding company, Shaw Holdings Inc..

Save as mentioned in the preceding paragraphs, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at 31st March 2004, 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 ("SFO") 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 <sup>1</sup>	297,106,872 <sup>2</sup>	298,484,872	74.92%
Mona Fong	1,378,000 <sup>1</sup>	–	–	1,378,000	0.35%
Louis Page	100,000	–	–	100,000	0.03%

*Note: Duplication of shareholdings occurred between parties (1) shown above and between parties (2) shown above and below under "Substantial shareholders".*

<sup>2</sup> *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.*

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### DIRECTORS' INTERESTS (continued)

As at 31st March 2004, the beneficial interests of the directors and chief executive in the ordinary shares of the associated corporations (within the meaning of the SFO) of the Company as recorded in the register maintained under Section 352 of the SFO 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 <sup>1</sup>	141,174,828 <sup>2</sup>	142,320,828	32.49%
Mona Fong	1,146,000 <sup>1</sup>	–	–	1,146,000	0.26%
Louis Page	100,000	–	–	100,000	0.02%

Note: Duplication of shareholdings occurred between parties <sup>(1)</sup> shown.

<sup>2</sup> 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.

	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 <sup>1</sup>	950	95.00%

<sup>1</sup> 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 SFO) 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 SFO) as at 31st March 2004.

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### DIRECTORS' INTERESTS *(continued)*

At no time during the year 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 SFO).

### SUBSTANTIAL SHAREHOLDERS

As at 31st March 2004, the register of substantial shareholders maintained under Section 336 of the SFO 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.

Name of shareholder	No. of ordinary shares of HK\$0.25 each	Percentage of issued capital (%)
Shaw Holdings Inc.	297,106,872 <sup>1</sup>	74.58%
Arnhold and S. Bleichroeder Advisers, LLC	49,949,000 <sup>2</sup>	12.54%

*Note: Duplication of shareholdings occurred between parties <sup>(1)</sup> shown here and above under "Directors' interests".*

<sup>1</sup> 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.

<sup>2</sup> 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 SFO as having any substantial shareholders' interests or short positions, being 5% or more of the issued share capital of the Company as at 31st March 2004.

### CONNECTED AND RELATED PARTY TRANSACTIONS

Two tenancy agreements were made between the Company and Television Broadcasts Limited ("TVB") dated 19th May 1997 and 15th December 1997 respectively whereby the Company granted to TVB tenancies of certain office and car parking spaces situated at Shaw House, Lot 220, Clear Water Bay Road, Kowloon, Hong Kong. The term of the two tenancies commenced on 1st July 1997 and 1st November 1997 respectively and will both expire on 30th June 2005. The amount of rental received during the year totalled HK\$17,732,000.

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### CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

The Company has an interest in a joint venture company developing a Movie City in Tseung Kwan O, in which Shaw Property Holdings Limited is one of the shareholders. Shaw Property Holdings Limited is a connected person of the Company by virtue of it being an associate of Shaw Holdings Inc., controlling shareholder of both the Company and Shaw Property Holdings Limited.

Since November 2000, the Company has been providing financial assistance in the form of an interest bearing loan to a non-wholly owned subsidiary, Film Power Company Limited, at Hong Kong Dollar prime lending rate per annum for financing its film productions. The amount of interest bearing loan at the balance sheet date is HK\$25,028,000. The minority shareholder of the non-wholly owned subsidiary is connected to the Company by virtue only of his substantial shareholding therein.

Details of related party transactions of the Group are set out in Note 24 to the accounts. Note 24(i) and (ii) constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) as disclosed above.

### AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, an Audit Committee was established on 1st April 1999 with all independent non-executive directors being appointed as members. Two meetings were held during the current financial year.

The Audit Committee has met with the management and the external auditors to review the year-end financial statements and consider the significant accounting policies, and to discuss with the management about the Group’s internal controls and financial reporting matters.

### CORPORATE GOVERNANCE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws and there was no restriction against such rights under the laws of Hong Kong.

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### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### REMUNERATION OF DIRECTORS AND SENIOR EMPLOYEES

Details of directors' remuneration and the five highest paid employees are set out in Note 10 and 11 to the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the turnover for the year attributable to the Group's major customers are as follows:

– the largest customer	39.9%
– five largest customers	58.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the customers noted above.

During the year, the percentage of purchases attributable to the Group's five largest suppliers is less than 30%.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

**Mona Fong**  
*Deputy Chairperson and Managing Director*

Hong Kong, 23rd June 2004