



SHAW BROTHERS (HONG KONG) LIMITED

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

INTERIM REPORT 2007/2008

The Directors of Shaw Brothers (Hong Kong) Limited (the “Company”) are pleased to present the Group’s Interim Report and condensed consolidated financial information for the six months ended 30th September 2007. The Group’s Interim Report and financial information have been reviewed by the Audit Committee of the Board of Directors who have in their review accepted the unaudited published consolidated financial information of Television Broadcasts Limited for the six months ended 30th June 2007 which have been included in the Group’s financial information. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2007, and the consolidated balance sheet of the Group as at 30th September 2007, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 12 of this report.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK\$0.05 (2006: HK\$0.05) per ordinary share for the six months ended 30th September 2007, to shareholders whose names appear on the Register of Members of the Company on 24th January 2008, and will absorb HK\$19,919,520. A total of 398,390,400 ordinary shares of HK\$0.25 each were in issue as of 30th September 2007.

CLOSURE OF BOOKS

The Register of Members of the Company will be closed from Saturday, 12th January 2008 to Thursday, 24th January 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers must be lodged with the Company’s Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 11th January 2008. Dividend warrants will be dispatched to shareholders on or around 24th January 2008.

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\$1,150,000.

Redevelopment Of Clearwater Bay Site

We are continuing to pursue the feasibility of the Residential and Commercial developments being undertaken in one phase and the response from the Government is encouraging.

We are yet optimistic that the draft of the first provisional basic terms (without quoting of premium) will be available by the end of year 2007.

Associated Companies

The contribution after taxation from Television Broadcasts Limited to Group profits during the period increased by 6%. The increase was mainly attributable to a growth of approximately 7% in Hong Kong advertising sales during the first half of 2007, notably in the local property sector, and a reduction of 20% in the share of the losses of TVB Pay Vision Holdings Limited, an associate of Television Broadcasts Limited.

Movie City Project (Shaw Studios)

Fitting out of the Project is expected to be completed by March 2008 and early indications of demand for the facilities are encouraging.

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 2007, capital commitments of the Group amounted to HK\$80.0 Million (31st March 2007: HK\$91.8 Million), which would be funded by internal resources.

Contingent Liabilities

As at 30th September 2007, 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 2007, the Group employed a total of 157 full time employees, all in Hong Kong. During the period under review, there was no significant change in the Group's remuneration policies.

DIRECTORS' INTERESTS IN SHARES

As at 30th September 2007, 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 ¹ | 297,106,872 ² | 298,484,872 | 74.92% |
| Mona Fong | 1,378,000 ¹ | – | – | 1,378,000 | 0.35% |
| Dr. Chow Yei Ching | 100,000 | – | – | 100,000 | 0.02% |

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

² 263,610,872 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 exerts 100% control through The Sir Run Run Shaw Charitable Trust.

As at 30th September 2007, 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 ¹ | 141,174,828 ² | 142,320,828 | 32.49% |
| Mona Fong | 1,146,000 ¹ | – | – | 1,146,000 | 0.26% |
| Dr. Chow Yei Ching | 100,000 | – | – | 100,000 | 0.02% |

Note: Duplication of shareholdings occurred between parties ⁽¹⁾ shown above.

² 113,888,628 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 Shaw Holdings Inc. holds 74.58% and 100% equity interests. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. 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 | – | – | 2,500 ¹ | 2,500 | 100.00% |

¹ 875 shares were held by Shaw Brothers (Hong Kong) Limited and 1,625 shares were held by Shaw Property Holdings Limited, in which companies Shaw Holdings Inc. holds 74.58% and 100% equity interests. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. 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 30th September 2007.

At no time during the period 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 30th September 2007, 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 ¹ | 74.58% |
| Arnhold and S. Bleichroeder Advisers, LLC | 45,264,540 ² | 11.36% |

Note: Duplication of shareholdings occurred between parties ⁽¹⁾ shown here and above under "Directors' Interests In Shares".

¹ 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. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc., Double One Limited and The Shaw Foundation Hong Kong Limited through the Sir Run Run Shaw Charitable Trust.

² 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 the SFO as having any substantial shareholders' interests or short positions, being 5% or more of the issued share capital of the Company as at 30th September 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2007, 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 period from 1st April 2007 to 4th September 2007, 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 "Exchange") except for the following:

- (a) the Executive Chairman and the Managing Director were 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 were 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 was not a multiple of three, then the number nearest to but not greater than one-third) would 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.

At the Annual General Meeting of the Company held on 5th September 2007, the Company has amended Article 88 of the Company's Articles of Association to comply fully with the Code as from that date.

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 period between 1st April 2007 and 30th September 2007, 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.

All 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 2007 and 30th September 2007.

Internal Controls

The system of internal controls has been designed to safeguard assets from inappropriate use, maintain proper accounts and ensure effective operation of the Company's business and compliance with regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company's activities including the operation of the internal control system.

The heads of the Finance team and the operating units perform financial and operational reviews of the Company and its subsidiaries, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee and the heads of the Finance team and the operating units monitor the follow-up actions.

An annual review, pursuant to the requirement set out under Appendix 14 of the Listing Rules, of the effectiveness of the material controls, including financial, operational and compliance controls and risk management function, is in progress.

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 2007 before they were presented to the Board of Directors for approval.

The interim financial statements for the six months ended 30th September 2007 have been reviewed by the Audit Committee of the Company, but have not been audited.

Interim Report

The interim report of the Company for the six months ended 30th September 2007 containing all the information required by the Listing Rules is published on the Exchange's website (www.hkex.com.hk) and the Company's website (www.shawbrothers.com.hk).

On Behalf of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 29th November 2007

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER AND 31ST MARCH 2007

| | Note | Unaudited 30th September 2007 HK\$'000 | Audited 31st March 2007 HK\$'000 |
|--|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 137,546 | 142,466 |
| Leasehold land | 4 | 18,284 | 18,515 |
| Interests in associates | | 1,616,262 | 1,646,749 |
| | | <u>1,772,092</u> | <u>1,807,730</u> |
| Current assets | | | |
| Inventories | | 1,019 | 7,728 |
| Accounts receivable, prepayments, deposits and other receivables | 5 | 36,018 | 30,176 |
| Short term bank deposits | | 237,695 | 47,873 |
| Bank and cash balances | | 2,776 | 2,838 |
| | | <u>277,508</u> | <u>88,615</u> |
| Total assets | | <u>2,049,600</u> | <u>1,896,345</u> |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 6 | 99,598 | 99,598 |
| Other reserves | | 25,823 | 21,938 |
| Retained profits | | | |
| – Proposed final dividend | 11 | – | 159,356 |
| – Others | | 1,718,514 | 1,602,737 |
| Total equity | | <u>1,843,935</u> | <u>1,883,629</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable, other payables and accruals | 7 | 44,745 | 10,973 |
| Provision for staff long service payments | | 1,564 | 1,743 |
| Dividend payable | | 159,356 | – |
| Total liabilities | | <u>205,665</u> | <u>12,716</u> |
| Total equity and liabilities | | <u>2,049,600</u> | <u>1,896,345</u> |
| Net current assets | | <u>71,843</u> | <u>75,899</u> |
| Total assets less current liabilities | | <u>1,843,935</u> | <u>1,883,629</u> |

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

| | | Unaudited | |
|--|------|---------------------------------|---------------------|
| | | Six months ended 30th September | |
| | Note | 2007 | As restated 2006 |
| | | HK\$'000 | HK\$'000 |
| Turnover | 3 | 21,655 | 20,141 |
| Cost of sales | | (13,721) | (11,268) |
| Gross profit | | 7,934 | 8,873 |
| Other income | 8 | 12,000 | 10,273 |
| Selling and distribution expenses | | (189) | (252) |
| General and administrative expenses | | (13,470) | (15,530) |
| Other operating expenses | | (10,240) | (10,436) |
| Share of profits less losses of associates | | 123,475 | 120,040 |
| Profit before income tax | 9 | 119,510 | 112,968 |
| Income tax expense | 10 | – | – |
| Profit attributable to equity holders of the Company | | 119,510 | 112,968 |
| Dividends | 11 | 19,920 | 19,920 |
| Earnings per share | 12 | HK\$0.30 | HK\$0.28 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

| | Unaudited Attributable to equity holders of the Company | | | | | Total HK\$'000 |
|--|--|------------------|--------------------|------------------------------------|---------------------|-------------------|
| | Share capital | Legal reserve | Capital reserve | Exchange fluctuation reserve | Retained profits | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1st April 2007 | 99,598 | 9,203 | 32,902 | (20,167) | 1,762,093 | 1,883,629 |
| Share of reserve movements of an associate | - | - | - | 152 | - | 152 |
| Net income recognised directly in equity | - | - | - | 152 | - | 152 |
| Profit for the period | - | - | - | - | 119,510 | 119,510 |
| Total recognised income for the period | - | - | - | 152 | 119,510 | 119,662 |
| Share of reserve movements of an associate | - | 3,733 | - | - | (3,733) | - |
| Final dividend 2006/2007 | - | - | - | - | (159,356) | (159,356) |
| | - | 3,733 | - | - | (163,089) | (159,356) |
| At 30th September 2007 | 99,598 | 12,936 | 32,902 | (20,015) | 1,718,514 | 1,843,935 |
| At 1st April 2006 | 99,598 | 5,046 | 32,902 | (8,129) | 1,627,828 | 1,757,245 |
| Share of reserve movements of an associate | - | - | - | (3,797) | - | (3,797) |
| Net expense recognised directly in equity | - | - | - | (3,797) | - | (3,797) |
| Profit for the period | - | - | - | - | 112,968 | 112,968 |
| Total recognised (expense)/ income for the period | - | - | - | (3,797) | 112,968 | 109,171 |
| Share of reserve movements of an associate | - | 2,617 | - | - | (2,617) | - |
| Final dividend 2005/2006 | - | - | - | - | (135,452) | (135,452) |
| | - | 2,617 | - | - | (138,069) | (135,452) |
| At 30th September 2006 | 99,598 | 7,663 | 32,902 | (11,926) | 1,602,727 | 1,730,964 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

| | Unaudited Six months ended 30th September | |
|---|--|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Net cash generated from/(used in) operating activities | 1,536 | (364) |
| Net cash generated from investing activities | 188,224 | 153,899 |
| Net increase in cash and cash equivalents | 189,760 | 153,535 |
| Cash and cash equivalents at the beginning of the period | 50,711 | 65,411 |
| Cash and cash equivalents at the end of the period | 240,471 | 218,946 |
| Analysis of the balances of cash and cash equivalents | | |
| Short term bank deposits with maturities less than three months | 237,695 | 216,049 |
| Bank and cash balances | 2,776 | 2,897 |
| | 240,471 | 218,946 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30th September 2007 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 2007.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2007, except that the Group has adopted the new standards, amendments to standards and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA which are effective for accounting periods commencing on or after 1st January 2007.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

The adoption of the new HKFRSs does not have a material impact on the results of operations and the financial position of the Group.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective for the accounting period ending 31st December 2007. The adoption of these new HKFRSs will not result in substantial changes to the Group’s accounting policies.

The comparative figures have been reclassified to conform with changes in presentation in the current period.

3. 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 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 and services for income |
| Investment holding | : Investments in associates |

The Group’s inter-segment transactions mainly consist of film processing works, as well as provision of administration and accounting services. Film processing works were provided at similar terms as that contracted with third parties. Administration and accounting services were charged on a cost reimbursement basis.

| | Six months ended 30th September 2007 | | | | |
|--|--------------------------------------|-------------------|-----------------------------|--------------------|-----------------------|
| | Property rental | Film distribution | Filming facilities services | Investment holding | Group total |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Turnover (<i>Note</i>) | <u>1,934</u> | <u>80</u> | <u>19,641</u> | <u>–</u> | <u>21,655</u> |
| Segment results | <u>1,163</u> | <u>(490)</u> | <u>1,150</u> | <u>(2,198)</u> | <u>(375)</u> |
| Unallocated items | | | | | <u>(3,590)</u> |
| Share of profits less losses of associates | – | – | – | 123,475 | <u>123,475</u> |
| Profit before income tax | | | | | <u>119,510</u> |
| Income tax expense | | | | | <u>–</u> |
| Profit attributable to equity holders of the Company | | | | | <u><u>119,510</u></u> |

Note:

Turnover was after eliminating inter-segment transactions amounting to HK\$122,000 attributable to filming facilities services.

3. Segment information (continued)

Primary reporting format – business segments (continued)

| | Six months ended 30th September 2006 | | | | |
|--|--------------------------------------|-------------------|-----------------------------|--------------------|-------------|
| | Property rental | Film distribution | Filming facilities services | Investment holding | Group total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover (Note) | 1,818 | 1,330 | 16,993 | – | 20,141 |
| Segment results | 722 | (883) | 1,593 | (2,508) | (1,076) |
| Unallocated items | | | | | (5,996) |
| Share of profits less losses of associates | – | – | – | 120,040 | 120,040 |
| Profit before income tax | | | | | 112,968 |
| Income tax expense | | | | | – |
| Profit attributable to equity holders of the Company | | | | | 112,968 |

Note:

There were no sales between the business segments.

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in two main geographical areas:

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

There were no sales between the geographical segments.

| | Turnover | | Profit before income tax | |
|--|---------------------------------|----------|---------------------------------|----------|
| | Six months ended 30th September | | Six months ended 30th September | |
| | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 21,655 | 19,255 | (3,965) | (7,329) |
| South East Asia | – | 886 | – | 257 |
| | 21,655 | 20,141 | (3,965) | (7,072) |
| Share of profits less losses of associates | | | 123,475 | 120,040 |
| | | | 119,510 | 112,968 |

4. Capital expenditure

| | Property, plant and equipment | Leasehold land |
|---|-------------------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Opening net book amount as at 1st April 2006 | 159,715 | 18,978 |
| Additions | 2,275 | – |
| Depreciation/amortisation charge (Note 9) | (10,729) | (231) |
| Closing net book amount as at 30th September 2006 | 151,261 | 18,747 |
| Additions | 1,632 | – |
| Disposals | (3) | – |
| Depreciation/amortisation charge | (10,424) | (232) |
| Closing net book amount as at 31st March 2007 | 142,466 | 18,515 |
| Opening net book amount as at 1st April 2007 | 142,466 | 18,515 |
| Additions | 49 | – |
| Depreciation/amortisation charge (Note 9) | (4,969) | (231) |
| Closing net book amount as at 30th September 2007 | 137,546 | 18,284 |

5. Accounts receivable, prepayments, deposits and other receivables

The ageing analysis of accounts receivable is as follows:

| | 30th September 2007 | 31st March 2007 |
|---|------------------------|--------------------|
| | HK\$'000 | HK\$'000 |
| Current | 9,413 | 5,836 |
| 1 – 3 months | 257 | 930 |
| Over 3 months | 2,036 | 2,415 |
| | <u>11,706</u> | <u>9,181</u> |
| Less: Specific provision for doubtful debts | <u>(1,731)</u> | <u>(1,731)</u> |
| | <u>9,975</u> | <u>7,450</u> |

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

6. Share capital

| | Authorised ordinary shares of HK\$0.25 each | |
|---|---|----------------|
| | Number of shares | HK\$'000 |
| As at 1st April 2006 and 2007 and 30th September 2007 | <u>600,000,000</u> | <u>150,000</u> |
| | Issued and fully paid ordinary shares of HK\$0.25 each | |
| | Number of shares | HK\$'000 |
| As at 1st April 2006 and 2007 and 30th September 2007 | <u>398,390,400</u> | <u>99,598</u> |

7. Accounts payable, other payables and accruals

The ageing analysis of accounts payable is as follows:

| | 30th September 2007 | 31st March 2007 |
|---------------|------------------------|--------------------|
| | HK\$'000 | HK\$'000 |
| Current | 999 | 406 |
| Over 3 months | 41 | 41 |
| | <u>1,040</u> | <u>447</u> |

8. Other income

| | Six months ended 30th September 2007 | 30th September 2006 |
|-----------------------|---|------------------------|
| | HK\$'000 | HK\$'000 |
| Management fee income | 5,775 | 5,689 |
| Interest income | 5,116 | 3,321 |
| Others | 1,109 | 1,263 |
| | <u>12,000</u> | <u>10,273</u> |

9. Profit before income tax

Profit before income tax has been arrived at after charging the following:

| | Six months ended 30th September | |
|---|---------------------------------|---------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Depreciation charge | 4,969 | 10,729 |
| Add/(less): Net amount realised from/(capitalised to) inventories | 4,431 | (1,410) |
| | <u>9,400</u> | <u>9,319</u> |
| Amortisation of leasehold land | 231 | 231 |
| Amortisation of released films | 77 | 1,435 |
| Employee benefit expense | 18,305 | 15,647 |
| Operating leases – land and buildings | 228 | 235 |
| | <u>19,221</u> | <u>16,867</u> |

10. Income tax expense

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2006: nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

11. Dividends

| | Six months ended 30th September | |
|---|---------------------------------|---------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Interim dividend, proposed, of HK\$0.05 (2006: HK\$0.05) per ordinary share | 19,920 | 19,920 |
| | <u>19,920</u> | <u>19,920</u> |

At a meeting held on 27th June 2007, the Directors declared a final dividend of HK\$0.40 per ordinary share for the year ended 31st March 2007 amounting to HK\$159,356,000, which was paid on 25th October 2007 and was reflected as an appropriation of retained profits for the six months ended 30th September 2007.

12. 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\$119,510,000 (2006: HK\$112,968,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2007 and 2006. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

13. Capital commitments

| | 30th September | 31st March |
|---|----------------|---------------|
| | 2007 | 2007 |
| | HK\$'000 | HK\$'000 |
| Authorised but not contracted for | | |
| – in respect of the Group's share of contribution to an associate for its development of film studio and ancillary facilities | 72,188 | 83,966 |
| Contracted but not provided for | | |
| – in respect of plant and equipment | 214 | 957 |
| – in respect of the Group's share of contribution to an associate for its development of film studio and ancillary facilities | 7,606 | 6,853 |
| | <u>7,820</u> | <u>7,810</u> |
| | <u>80,008</u> | <u>91,776</u> |

14. Related party transactions

(a) Related party transactions

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

- (i) The Group provided labour and administrative services to certain associates for management fees totalling HK\$1,987,000 (2006: HK\$2,092,000). The fees for these services were determined by an agreement entered into between the parties.
- (ii) The Group provided labour and administrative services to certain related parties for management fees totalling HK\$3,603,000 (2006: HK\$3,413,000). The fees for these services were determined by an agreement entered into between the parties. These related parties are held by a substantial shareholder of the Company.
- (iii) The Group received interest income totalling HK\$1,906,000 (2006: Nil) from an associate for providing additional loan facility to finance the development of film studio and ancillary facilities. The loan interest charged was determined by a facility letter entered into between both parties.

(b) Key management compensation

| | Six months ended 30th September 2007 | 2006 |
|---|---|----------|
| | HK\$'000 | HK\$'000 |
| Salaries and other short-term employee benefits | 2,845 | 3,009 |

(c) Period/year-end balances

| | 30th September 2007 | 31st March 2007 |
|---|------------------------|--------------------|
| | HK\$'000 | HK\$'000 |
| Receivables from related parties | | |
| Associates | 6,708 | 5,326 |
| Fellow subsidiaries | 1,696 | 1,903 |
| | 8,404 | 7,229 |
| Less: interest receivable from an associate (<i>Note (d)</i>) | (4,642) | (2,736) |
| | 3,762 | 4,493 |

(d) Loan to an associate

| | 30th September 2007 | 31st March 2007 |
|--|------------------------|--------------------|
| | HK\$'000 | HK\$'000 |
| Principal amount | | |
| Beginning of the period/year | 399,181 | 361,136 |
| Loan advanced | 11,025 | 38,045 |
| End of the period/year | 410,206 | 399,181 |
| Interest receivable from an associate | | |
| Beginning of the period/year | 2,736 | - |
| Interest income | 1,906 | 2,736 |
| End of the period/year (<i>Note (c)</i>) | 4,642 | 2,736 |
| Total | | |
| Beginning of the period/year | 401,917 | 361,136 |
| Loan advanced | 11,025 | 38,045 |
| Interest income | 1,906 | 2,736 |
| End of the period/year | 414,848 | 401,917 |