

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		As restated 2005 HK\$'000
	Six months ended 30th September 2006 HK\$'000		
Turnover	20,141	30,570	
Cost of sales	(11,268)	(14,336)	
Gross profit	8,873	16,234	
Other revenues	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	(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	-	-	
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	HK\$0.28	HK\$0.34	

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

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

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)	1,818	1,330	16,993	-	20,141
Segment results	722	(883)	1,593	(2,508)	(1,076)
Unallocated items					(5,996)
Operating loss					(7,072)
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 are no sales between the business segments.

	Six months ended 30th September 2005				
	Property rental HK\$'000	Film distribution HK\$'000	Filming facilities services HK\$'000	Investment holding HK\$'000	Group total HK\$'000
Turnover (Note)	4,977	3,672	21,921	-	30,570
Segment results	3,401	(944)	2,795	(2,611)	2,641
Unallocated items					(4,858)
Operating loss					(2,217)
Share of profits less losses of associates	-	-	-	139,477	139,477
Profit before income tax					137,260
Income tax expense					-
Profit attributable to equity holders of the Company					137,260

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 2006 HK\$'000	2005 HK\$'000	Six months ended 30th September 2006 HK\$'000	2005 HK\$'000
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
	20,141	30,570	(7,072)	(2,217)

3. Other revenues

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

4. Operating loss

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

	Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Depreciation charge	10,729	10,168
Net amount (capitalised to)/realised from inventories	(1,410)	212
	9,319	10,380
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

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		31st March	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current	6,716	6,662	6,716	6,662
1 - 3 months	1,420	1,602	1,420	1,602
Over 3 months	3,072	3,092	3,072	3,092
	11,208	11,356	11,208	11,356
Less: Specific provision for doubtful debts	(1,731)	(1,731)	(1,731)	(1,731)
	9,477	9,625	9,477	9,625

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:

	30th September		31st March	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current	1,415	694	1,415	694
Over 3 months	41	41	41	41
	1,456	735	1,456	735

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:

- 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;
- 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;
- 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 a 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