

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of See Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2005.

RESULTS

Turnover for the year ended 30 June 2005 increased to HK\$59.2 million from HK\$49.6 million for the last year, representing an increase of 19% against last year. The increase in turnover was mainly attributable to the increase in the sales of multimedia electronic products in the year. Gross profit was HK\$8.1 million, compared with HK\$6.8 million in last year. The increase in gross profit was mainly as a result of the contribution from the newly started entertainment business. Net loss for the year amounted to HK\$36.8 million, compared with net loss of HK\$37.2 million for the last year, if the reversal of revaluation decrease in investment properties of HK\$6.5 million and gain on disposal of subsidiaries of HK\$80.0 million were excluded from the net profit of HK\$49.3 million in the same period last year. Loss per share for the year under review was HK\$0.095.

REVIEW OF OPERATIONS

During the year, the Group was mainly engaged in the trading of multimedia electronic products and provision of telecommunication and system integration service. The turnover from the multimedia electronic products segment accounted for about 90% of the total turnover. However, as the gross profit margin for these multimedia electronic products was very thin, continuous loss has been observed in the previous years. In order to enhance its income stream, the Group decided to take a key step to diversify into entertainment and media business.

Multimedia Electronic Products

The turnover for multimedia electronic product for the year amounted to HK\$53.3 million, representing a growth of 141% against last year. The significant growth was mainly as a result of increase in demand of multimedia electronic products such as DVD players and digital cameras. However, in order to obtain a satisfactory market share in this highly competitive multimedia electronic products market, more aggressive pricing strategy is inevitable. The gross profit percentage reduced from 17% for the last year to 9% for the current year.

Telecommunication and System Integration

Subsequent to the acquisition of 深圳銀河通信息技術有限公司 ("SRT") in July 2004, the telecommunication and system integration service is provided by this newly acquired company. The turnover and gross profit for the year amounted to HK\$3.2 million and HK\$0.4 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Entertainment

Entertainment business is the new business segment of the Group. During the year, as the Group was still in the initial stage of its development into the entertainment business, relatively small amount of revenue was contributed by this segment. Several subsidiaries, namely See People Limited, See Music Limited, See Movie Limited and See Entertainment Limited, were established in September 2004. Professional model agency companies, Talent Bang Limited and Look Models Hong Kong Limited, were also acquired by the Group in May and June 2005 respectively. Turnover with an aggregate amount of HK\$2.7 million was recorded by these companies. The turnover was mainly derived from share of investment return from the film "Jiang Hu". The Group was also in the process of production in a number of other TV programmes or films, including "美麗新天地", "大冒險家" and "浴火鳳凰", in this year. The cost of film production in progress incurred up to the end of this year was HK\$12.9 million. The Group has also organized Eason Chan concert in Guangzhou on 30 July 2005. The response has been well received from public and media. HK\$1.6 million was paid at the balance sheet date for the production cost. These have been reflected in the balance sheet as at 30 June 2005.

GEOGRAPHICAL REVIEW

During the year, the revenue were mainly sourced from Hong Kong and China markets which accounted for about 49% and 35% of the total turnover respectively. Most significant growth was observed in the Hong Kong and European markets, with increase of 101% and 33% respectively compared with last year. The turnover in respect of the other regions had been reduced in the year.

MATERIAL ACQUISITION

On 10 September 2003, the Group entered into a conditional Investment Agreement (the "Investment Agreement") with the shareholders of SRT, inter alia, to invest RMB17,000,000 (approximately HK\$16,100,000) in 55% of the registered share capital of SRT. As some of the conditions of the Investment Agreement cannot be fulfilled within 45 days from the Investment Agreement, the parties to the Investment Agreement agreed on two occasions to extend the completion date to 31 July 2004. On 21 July 2004, all of the conditions were fulfilled and the Investment Agreement was completed. As such, SRT was treated as a subsidiary as at the year end date, 30 June 2005.

The Group had entered into a sales and purchase agreement for the acquisition of the office on 2nd Floor of Talon Tower, 38 Connaught Road West, Hong Kong on 7 February 2005, at a consideration of HK\$21,878,500. The acquisition was completed on 17 February 2005. The directors believe that by making the acquisition the cash resources of the Group can be better utilized given the gradual recovery of the Hong Kong property market. In addition, the Group will be able to make savings on rental expense.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FUTURE BUSINESS PROSPECTS AND PLANS

During the year, the Group was principally engaged in trading of multimedia electronic products and provision of telecommunication and system integration service. The Group has in around the last quarter of 2004 started the entertainment and media business which includes production of television programmes and artiste management. The Group is currently producing a number of TV programmes in Hong Kong and the PRC. The television programme production business is considered to be complementary to the artiste management business as the television programmes can be used as a means to promote the artistes under the Group's management. The Group has newly signed up a number of artistes and is now in the process of procuring performance opportunities for them in, for example, television commercials, films and television programmes.

The Group has completed the first closing of the acquisition of 49% interest in Galaxy Satellite TV Holdings Limited ("Galaxy Group") in August 2005. The acquisition of Galaxy Group represents a further investment by the Group into the media and entertainment business. The acquisition of 49% interest in Galaxy Group would enable the Group to enter the pay-television market in Hong Kong. It is expected that the acquisition of Galaxy Group will bring fast growing return to the Group after the Galaxy Group attains a critical mass of viewers. Moreover, the Group would gain an attractive return from investment in Galaxy Group if it obtains a listing of its shares on any stock exchanges.

Looking forward, the Group will change the focus to the new entertainment and media business. With its ample resources and extensive connections, the Group will continue to search for opportunities to collaborate with talents from other Asian regions such as Mainland China, Taiwan, South Korea, Japan and Singapore, in order to create high quality productions with the greatest profitability and distinct Asian characteristics.

With the motto of "Seeing is believing!", the Group will continue to use a proactive approach to develop its cross-media business, such as talent management, as well as the investment, production, promotion, publishing and distribution of film and music, etc. The directors are confident that the Group will be one of the most influential market leaders in Asia in the next few years.

FINANCIAL REVIEW AND LIQUIDITY

At the balance sheet date, the Group had net assets of HK\$70.8 million, compared with net liabilities of HK\$6.5 million for the year end 30 June 2004. The current ratio, represented by current assets divided by current liabilities was 4.9, which substantially improved from 0.76 at the last year end date. The cash and bank balance totaled at HK\$19.7 million at the year end date, compared with HK\$1.9 million for the last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

At the balance sheet date, the Group has no outstanding loan liability from third party, while the gearing ratio, as a ratio of total borrowings over total assets, for the last year was 1.06. During the year, two loans of approximately HK\$8.7 million previously obtained from an independent third party were converted into 21,732,430 shares at HK\$0.40 each according to a settlement agreement dated 7 February 2005.

On 12 November 2004, the Company entered into placing agreement and supplemental agreement with the placing agent in relation to the appointment of the placing agent for the placing of 225,000,000 shares at HK\$0.40 each. A Special General Meeting was held on 17 December 2004 during which placing of new shares was approved. The placing of new shares was completed on 21 January 2005.

At the balance sheet date, the Group had contingent liabilities of HK\$24 million mainly as a result of a corporate guarantee provided by the Company to a financial institution in respect of banking facilities granted to certain former subsidiaries. HK\$5.5 million of the banking facilities were utilized by that former subsidiaries and such amount was subject to a claim by the financial institution.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the year, the sales of finished goods, purchase of raw material and production cost of films and TV programmes for the Group were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As the exchange rates of Hong Kong dollars against US dollars and Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal.

The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

EMPLOYEE SCHEMES AND REMUNERATION POLICIES

As at 30 June 2005, the Group has 52 employees (22 based in Hong Kong and 30 based in the People's Republic of China) within the Group. The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from provident fund scheme and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performance.

The Company's emolument policy is to ensure that the remuneration of employees is based on the skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive directors are determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The fee for non-executive directors is determined with reference to the prevailing market rate and their time, effort and expertise exercised on the Company's affairs.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Company and its former subsidiary, P.N. Electronics Ltd. ("PNE"), are in arbitration with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE to NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, U.S.A. The alleged claims had been contested and a counterclaim for the sum of HK\$18 million as well as other damages was made in the proceedings. At the balance sheet date, no further action has been taken by either party and thus it is not possible to predict the outcome with reasonable certainty.

On 13 October 2003, a Writ of Summons and Statement of Claim was made by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of a former subsidiary, Welback Enterprise Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,934,000) together with interest and costs. BII Finance made an application for summary judgment against the Company on 25 February 2004. This application was dismissed on 15 July 2005. The Company was successful in defending BII Finance's application for summary judgment and was granted unconditional leave to defend the action by the Court. The Company has also issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking where necessary a contribution to the extent of 49% of BII Finance's claim. The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. The parties in the main action are currently in the process of discovery.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.