漢傳媒集團有限公司
SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

Interim Report 2006

SEEING IS BELIEVING

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P. (Chairman)*
Mr. Carl Chang *(Chief Executive Officer)*
Mr. Yu Kam Yuen, Lincoln
Mr. Tong Chin Shing

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
The Hon. Shek Lai Him, Abraham, *J.P.*
Mr. Fong Shing Kwong, Michael

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

AUDIT COMMITTEE

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
The Hon. Shek Lai Him, Abraham, *J.P.*
Mr. Fong Shing Kwong, Michael

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Richards Butler

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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Church Street
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Sheung Wan
Hong Kong

HONG KONG BRAND REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

491

The English language text of this report shall prevail over the Chinese language text.

The Board of Directors (the “Board”) of See Corporation Limited (hereinafter referred to as the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the six months ended 31 December 2005 amounted to HK$15.3 million, compared with HK$52.6 million for the last year. The reduction in turnover was mainly attributable to the change in focus of the Group from trading of multimedia electronic products to the newly engaged entertainment business. Gross profit for the period was HK$7.4 million, compared with HK$4.9 million in last year. The increase in gross profit was mainly as a result of a higher profit margin from the newly started entertainment business. Share of loss of associates amounted to HK$61.4 million. Net loss for the period attributable to equity holders of the Company amounted to HK$83.4 million, compared with net loss of HK$10.4 million for the last year. Loss per share for the period under review was HK$0.0423.

REVIEW OF OPERATIONS

During the period, the Group has changed the focus from trading of multimedia electronic products to the newly started entertainment and media business. The acquisition of 49% interest in Galaxy Satellite TV Holdings Limited was completed in August 2005. The acquisition represents a further investment by the Group into the entertainment and media business. The Company was also renamed “See Corporation Limited” in September 2005. As a result of the change, the turnover for the entertainment business accounted for about 82% of the total turnover for the period.

Multimedia Electronic Products

The turnover for multimedia electronic products for the period amounted to HK$2.2 million, representing a reduction of 96% against last year. The gross profit percentage slightly increased from 9% for the last year to 11% for the current year. As this segment did not match with the new core business of the Group, the Group has decided to cease its operation with effect from February 2006.

Telecommunication & System Integration

The business of telecommunication & system integration remain stagnant. The turnover and gross profit for the period amounted to HK$0.5 million and HK$0.3 million respectively. The Group has decided to cease its operation with effect from February 2006.

Entertainment

Film/TV programmes productions

During the period, the Group has produced a number of films and TV programmes. The film "Kung Fu Mahjong II" was produced during the period and released in November 2005. Income from box-office and licensing of this film amounted to approximately HK$5.3 million. "The Dragon Gate Post", "Superkid" and "Brave New World" were among the focal point of the productions of the Group during the period. As at 31 December 2005, the cost of film production in progress incurred was HK$61.2 million. The film rights, representing completed film productions, less accumulated amortisation was HK$4.5 million at the balance sheet date.

Event productions

In the aspect of event productions, the Group had organized Eason Chan concert in Guangzhou on 30 July 2005. The income and gross profit from box-office and sponsorship amounted to HK$3.7 million and HK$0.2 million respectively.

Artiste and model management

The Group has also provided artiste and model management services during the period. Income generated from this segment for the period totaled with an amount of HK$3.6 million.

Share of loss of associates

The acquisition of 49% interest in Galaxy Satellite TV Holdings Limited was completed in August 2005. The share of loss for the period from September to December 2005 amounted to HK$61.4 million.

GEOGRAPHICAL REVIEW

During the period, the revenue were mainly sourced from Hong Kong and China market which accounted for about 89% of the total turnover.

MATERIAL ACQUISITION

The Group has completed the first and second closing of the acquisition of 49% interest in Galaxy Satellite TV Holdings Limited ("Galaxy Group") in August 2005 and February 2006 respectively. The acquisition of Galaxy Group represents a further investment by the Group into the media and entertainment. The acquisition 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.

FUTURE BUSINESS PROSPECTS AND PLANS

The Group is currently producing a number of television 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. A number of super talents (including Dicky Cheung, Eunis Chan, Kathy Chow, Annie Man, Patrick Tang and Sam Lee) have joined the Group during the period. The Group has procured performance opportunities for them in, for example, television commercials, films and television programmes. In addition, newly recruited fleet of artistes will be the center of the development of the Group in the coming years.

High Definition ("HD") format becomes the new standard for movies and television broadcast all over the world. HD technology provides superb visual quality and adds new capabilities, and is being widely introduced and accepted in various aspects of our daily life, including movies, entertainment, computing, consumer electronics and software. HD format integrates state-of-the-art copy protection technology, and thus lowers the chance for piracy. The Group plans to produce about 30 films and 200 hours of television programmes in 2006, all of which will be in HD format. The gross profit from these films and television programmes are expected to be 25%-60%. The production volumes are projected to grow by 20% in the coming 3 years. By the end of the 3 years, the Group will expect to have the largest Chinese language HD films/television programmes library in Asia. The Group has also initiated several trans-national collaboration plans in Asia, including the talents from China, Japan and South Korea, for the production of these HD films and television programmes.

In the aspect of the pay-television business operated by Galaxy Satellite TV Holdings Limited, the 49% owned associate of the Group, the number of subscribers are expected to grow by 300,000 in the coming 3 years according to the business plan. According to a recent review, a steady grow in the subscribers has been observed and we expect the target can be achieved in a shorter period of time.

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 believe that the plan as stated above will provide a solid foundation for sustainable growth in the earnings in the near future.

FINANCIAL REVIEW AND LIQUIDITY

As balance sheet date, the Group had net assets amounted to HK$191.3 million, substantially increased from HK$72.3 million for the year end 30 June 2005. The increase was mainly as a result of the rights issue which was completed in July 2005. The current ratio, representing current assets divided current liabilities was 1.12, compared with 4.92 at the last year end date. The cash and bank balance with a total amount of HK$1.8 million was recorded at the balance sheet date.

During the period ended 31 December 2005, the Group has issued convertible notes in the principal amount of HK$170 million. The fair value of the liability component of the convertible notes at 31 December 2005 was approximately HK$129.2 million. At balance sheet date, the Group has a short-term loan from a third party of HK$25 million and a short-term bank borrowing of HK$9.9 million. The gearing ratio, as a ratio of total borrowings over total assets for the period end, was 0.36.

At 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 our former subsidiaries. HK$5.5 million of the banking facilities were utilized by that former subsidiaries and such amount was subjected to a claim by the financial institution.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the period, the sales of finished goods, films and TV programmes, 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. Borrowings in terms of loans and convertible notes were also denominated in Hong Kong dollars. As the exchange rates of Hong Kong dollars against US dollars and Renminbi were relatively stable during the period, 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

As at 31 December 2005, the Group has 54 employees (46 based in Hong Kong and 8 based in PRC) 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 Group's emolument policy is to ensure that the remuneration of employees is based on skill, knowledge, responsibilities and involvement in the Group's affairs. The remuneration packages of executive directors are determined by reference to the Group'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 Group's affairs.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Company and its ex-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, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages in the said proceeding. At this time the action is in a standstill 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 issued 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 liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest. BII Finance made an application for summary judgement against the Company on 25 February 2004. This application was dismissed on 15 July 2005. The Company 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 a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied). 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. Directions have been given by the Court for the completion of discovery and the exchange of witness statements in the main action. Directions have also been given by the Court for the filing of a Reply by the Company in the Third Party Proceedings.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(i) Shares

As at 31 December 2005, the directors and chief executive had the following interests, all being long position, in the ordinary shares of the Company and its associated corporations as defined in Section 352 of the Securities and Future Ordinance ("SFO").

Name of shareholder	Number of ordinary shares held Corporate interest	Approximate shareholding percentage
Yu Kam Kee Lawrence	137,529,812	6.38%

(ii) Share Options

The Company has a share option scheme under which directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. As at 31 December 2005, there are no outstanding share options granted to the director of the Company.

Save as aforesaid, as at 31 December 2005, to the knowledge of the Company:

(i) none of the Directors, or chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rule;

(ii) none of the directors or chief executives or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the six months ended 31 December 2005.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares held Corporate interest	Approximate shareholding percentage
Hanny Holdings Limited*	332,490,000	15.43%

**Notes:*

Hanny Holdings Limited directly holds 320,000,000 shares representing a 14.85% interest in the Company. Hanny Holdings Limited through Cyber Generation Limited, its wholly-owned subsidiary, holds 12,490,000 shares representing 0.58% interest in the Company.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as at 31 December 2005.

PURCHASE, SALE OR REDEMPTION OR THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company is dedicated to enhancing and maintaining high corporate governance standards for the benefit of its shareholders. In the opinion of the directors of the Company (the "Directors"), save as the exception stated below, the Company has complied with the Code of Corporate Governance Practices set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the 6 months period ended 31 December 2005.

Code Provision A.4.1

Code provision A.4.1. stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

All the independent non-executive Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws.

However, amongst all the independent non-executive Directors, only Mr. Fong Shing Kwong, Michael has been appointed for a fixed term of 3 years from 5 December 2005. The remaining independent non-executive Directors namely, Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman and Hon. Shek Lai Him, Abraham *J.P.* are not appointed for a specific term. The Company will enter into formal letters of appointment with each of them respectively to specify their terms of offices in compliance with the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the 6 months period ended 31 December 2005.

AUDIT COMMITTEE

The Company has an audit committee established in compliance with Rule 3.21 of the Listing Rules which comprises four independent non-executive directors, namely Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman, the Hon. Shek Lai Him, Abraham *J.P.* and Mr. Fong Shing Kwong, Michael with the terms of reference adopted by the board of directors of the Company.

Both Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman are certified public accountants.

The audit committee and the Group's external auditors have discussed with management on the Group's accounting policy and discussed internal control and financial reporting matters regarding to the Group's unaudited interim financial statements for the six months period ended 31 December 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee which comprises of the Chairman Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E, J.P.* and the 4 non-executive directors of the Company, namely Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman, the Hon. Shek Lai Him, Abraham *J.P.* and Mr. Fong Shing Kwong, Michael, with the terms of reference adopted by the board of directors. The principal duties of the remuneration committee are to review and determine the remuneration package of the directors and senior management of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

	Note	Six months ended 31 December 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Turnover	3	**15,278**	52,555
Cost of sales		**(7,920)**	(47,665)
Gross profit		**7,358**	4,890
Other revenue		**2,733**	43
Distribution costs		**(5,285)**	(1,072)
Administrative expenses		**(15,800)**	(14,322)
Amortisation of film rights		**(2,190)**	–
Provision for doubtful debts		**(1,661)**	–
Provision for obsolete inventories		**(2,698)**	–
Loss from operations		**(17,543)**	(10,461)
Amortisation on goodwill		**–**	(393)
Finance costs		**(6,056)**	(920)
Gain on disposal of subsidiaries		**–**	4
Share of results of associates	10	**(61,393)**	–
Loss before taxation		**(84,992)**	(11,770)
Taxation	5	**–**	–
Net loss for the period		**(84,992)**	(11,770)
Attributable to:			
Equity holders of the Company		**(83,410)**	(10,424)
Minority interest		**(1,582)**	(1,346)
		(84,992)	(11,770)
Loss per share			
– Basic	7	**(4.23 cents)**	(2.00 cents)
– Diluted		**N/A**	N/A

The accompanying notes form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	31 December 2005 (Unaudited) HK$'000	30 June 2005 (Audited) (Restated) HK$'000
Non-Current Assets			
Intangible assets	8	1,221	1,266
Leasehold land	9	10,928	10,934
Interests in associates	10	162,256	–
Goodwill		113,718	1,092
Property, plant and equipment	11	15,556	15,744
		303,679	29,036
Current Assets			
Film rights		4,475	2,500
Film production in progress		61,180	12,903
Music production in progress		2,075	1,876
Inventories		–	2,699
Trade and other receivables	12	41,029	14,622
Loan receivables	13	40,963	–
Financial assets at fair value through profit and loss		3,416	–
Pledged of fixed deposit	19(v)	700	–
Cash and bank balances		1,129	19,670
		154,967	54,270
Less: Current Liabilities			
Trade and other payables	14	103,181	10,622
Short-term loan – unsecured	15	25,000	–
Short-term bank borrowing – secured		9,931	–
Tax payable		14	401
		138,126	11,023
Net Current Assets		16,841	43,247

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2005

	Note	31 December 2005 (Unaudited) *HK$'000*	30 June 2005 (Audited) (Restated) *HK$'000*
Total Assets Less Current Liabilities		**320,520**	72,283
Less: Non-Current Liabilities			
Convertible notes	*17*	**129,215**	–
Net Assets		**191,305**	72,283
Equity			
Share capital	*18*	**21,542**	5,386
Reserves		**168,909**	65,460
Shareholders' Funds		**190,451**	70,846
Minority Interests		**854**	1,437
Total Equity		**191,305**	72,283

Approved by the Board of Directors on 24 March 2006 and signed on its behalf by:

Yu Kam Kee, Lawrence
B.B.S., M.B.E., J.P.
Chairman and Executive Director

Carl Chang
Chief Executive Officer
and Executive Director

The accompanying notes form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005 (Unaudited)

	Attributable to equity holders of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible notes *HK$'000*	Accumulated deficits *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 July 2005, as previously reported as equity	5,386	120,523	–	–	(55,063)	–	70,846
At 1 July 2005, as previously separately reported as minority interests	–	–	–	–	–	1,437	1,437
At 1 July 2005, as restated	5,386	120,523	–	–	(55,063)	1,437	72,283
Capital reorganisation	–	(28,663)	28,663	–	–	–	–
Amount transferred to written off accumulated deficits	–	–	(28,663)	–	28,663	–	–
Issue of shares pursuant to right issues	16,156	–	–	–	–	–	16,156
Premium arising on issue of shares pursuant to right issues	–	145,410	–	–	–	–	145,410
Shares issues expenses on right issues	–	(4,471)	–	–	–	–	(4,471)
Convertible notes – equity component	–	–	–	45,920	–	–	45,920
Minority interests arising from formation of subsidiaries	–	–	–	–	–	999	999
Net loss for the period	–	–	–	–	(83,410)	(1,582)	(84,992)
At 31 December 2005	21,542	232,799	–	45,920	(109,810)	854	191,305

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 December 2004 (Unaudited)

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Share premium *HK$'000*	Accumulated deficits *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 July 2004	106,141	115,672	(228,267)	–	(6,454)
Issue of shares from exercise of share options	500	–	–	–	500
Premium arising on issue of shares in respect of exercise of share options	–	350	–	–	350
Issue of shares from conversion of convertible bonds	8,889	–	–	–	8,889
Premium arising on issue of shares in respect of conversion of convertible bonds	–	7,103	–	–	7,103
Minority interests arising from acquisition of a subsidiary	–	–	–	9,348	9,348
Net loss for the period	–	–	(10,424)	(1,346)	(11,770)
At 31 December 2004	115,530	123,125	(238,691)	8,002	7,966

The accompanying notes form an integral part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	Six months ended 31 December	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Net cash outflow from operating activities	**(36,707)**	(6,733)
Net cash outflow from investing activities	**(380,653)**	(1,546)
Net cash inflow from financing activities	**399,519**	6,850
Decrease in cash and cash equivalents	**(17,841)**	(1,429)
Cash and cash equivalents at beginning of period	**19,670**	1,942
Cash and cash equivalents at end of period	**1,829**	513
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**1,829**	513

The accompanying notes form an integral part of these interim financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in financial statements for the year ended 30 June 2005, except that the Group has changed certain accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing this report. The comparative figures have been amended as required and where necessary, in accordance with the relevant requirements.

2. Effect of adoption of new and revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. In 2005, the Group has adopted the new and revised HKFRSs and HKASs which are pertinent to its operations.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases

2. Effect of adoption of new and revised HKFRSs and HKASs (Continued)

HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 28	Investments in associates
HKAS 32	Financial instruments: disclosures and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: recognition and measurement
HKAS 40	Investment property
HKAS-Int 4	Lease – Determination of the length of lease term in respect of Hong Kong land leases
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – special purpose entities
HKAS-Int 15	Operating leases – incentives
HKAS-Int 21	Income taxes – recovery of revalued non-depreciable assets
HKFRS 2	Share-based payments
HKFRS 3	Business combinations

2. **Effect of adoption of new and revised HKFRSs and HKASs** (Continued)

The adoption of these new and revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34, 37, 40 and HKAS-Int 4, 12, 15 and 21 and HKFRS 2 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 34, 37, 40 and HKAS-Int 4, 12, 15, 21 and HKFRS 2 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. In particular, HKAS 39 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet and stated at amortised cost.

The adoption of HKASs 36, 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Until 30 June 2005, goodwill was amortised on a straight-line basis over 5 to 10 years; and assessed for an indication of impairment at each balance sheet date.

2. Effect of adoption of new and revised HKFRSs and HKASs (Continued)

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 July 2005;

– Accumulated amortisation as at 30 June 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 30 June 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than the following standards:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transaction;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKFRS 3 – prospectively after the adoption date.

2. Effect of adoption of new and revised HKFRSs and HKASs (Continued)

Summary of the change in accounting policies

The adoption of HKAS 17, 32 and 39 resulted in:

Consolidated Balance Sheet

	As at 31 December 2005 (Unaudited)		As at 30 June 2005 (Audited)	
	HKAS 17	***HKAS 32&39***	*HKAS 17*	*HKAS 32 & 39*
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase in leasehold land	**10,928**	**–**	10,934	–
Decrease in property, plant and equipment	**(10,928)**	**–**	(10,934)	–
Increase in convertible notes	**5,135**	**–**	–	–

Consolidated Income Statement

	Six months ended 31 December 2005 (Unaudited)		Six months ended 31 December 2004 (Unaudited)	
	HKAS 17	***HKAS 32&39***	*HKAS 17*	*HKAS 32 & 39*
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase in finance costs	**–**	**5,135**	–	–
Total increase in loss for the period	**–**	**5,135**	–	–
Increase in basic loss per share (in HK dollar)	**–**	**0.003**	–	–

3. Segment information

(a) Business segments

During the period ended 31 December 2005, the Group was engaged in (i) film and TV programmes production (ii) event productions; (iii) artiste and model management; (iv) selling of multimedia electronic products; and (v) provision of telecommunication and system integration services.

	Six months ended 31 December 2005 (Unaudited)						
				Entertainment			
	Multimedia electronic products*	Toys and games products*	Telecommunication/ system integration*	Film/TV programmes productions	Event productions	Artiste and model management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	2,238	–	470	5,257	3,731	3,582	15,278
Segment results	257	–	279	5,257	259	1,306	7,358
Interest income and unallocated gains							2,733
Unallocated corporate expenses							(21,085)
Amortisation of film rights							(2,190)
Provision for doubtful debts							(1,661)
Provision for obsolete inventories							(2,698)
Loss from operations							(17,543)
Finance costs							(6,056)
Share of results of associates							(61,393)
Loss before taxation							(84,992)
Taxation							–
Net loss for the period							(84,992)

* The operations of multimedia electronic products, toys and games products and telecommunication and system integration have been ceased in February 2006.

3. Segment information (Continued)

(a) Business segments (Continued)

	Six months ended 31 December 2004 (Unaudited)				
	Multimedia electronic products *HK$'000*	Toys and games products *HK$'000*	Telecommuni-cation/ system integration *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	52,309	–	230	16	52,555
Segment results	4,810	–	78	2	4,890
Interest income and unallocated gains					43
Unallocated corporate expenses					(15,394)
Loss from operations					(10,461)
Amortisation on goodwill					(393)
Finance costs					(920)
Gain on disposal of subsidiaries					4
Loss before taxation					(11,770)
Taxation					–
Net loss for the period					(11,770)

There are no sales or other transactions between the business segments.

Analysis of assets and liabilities by business segments has not been disclosed as most of the Group's assets and liabilities are unallocated.

3. Segment information (Continued)

(b) *Geographical segments*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets based on the geographical segments has not been disclosed.

	Six months ended 31 December 2005 (Unaudited)						
	North America*	Europe*	Japan*	Hong Kong	China	Others	Con-solidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,044	491	–	12,571	1,040	132	15,278
Segment results	157	20	–	6,822	279	80	7,358

	Six months ended 31 December 2004 (Unaudited)				
	North America	Europe	Japan	Local and others	Con-solidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	3,443	5,221	21	43,870	52,555
Segment results	842	964	21	3,063	4,890

There are no sales between the geographical segments.

* The geographical segments of North America, Europe and Japan have been ceased following on the cessation of the operations of multimedia electronic products, toys and games products and telecommunication and system integration in February 2006.

4. Depreciation

During the period, the following depreciation and amortisation have been charged to the Group's condensed consolidated income statement.

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**764**	419
Amortisation of intangible assets	**121**	393
Amortisation of leasehold land	**6**	–

5. Taxation

No provision for Hong Kong and PRC profits tax has been made as there were no assessable profits derived from Hong Kong and PRC for the current and last corresponding periods.

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2004: Nil).

Deferred tax assets have not been recognised due to the unpredictability of future profit streams.

6. Interim dividend

The directors do not recommend the payment of an interim dividend for the current period (2004: Nil).

7. Loss per share

The calculation of basic loss per share is based on the following data:

	Six months ended 31 December	
	2005 (Unaudited)	2004 (Unaudited) (Restated)
Loss for the period for the purposes of basic loss per share (in HK$'000)	**(83,410)**	(10,424)
Weighted average of ordinary shares for the purpose of basic loss per share	**1,969,827,515**	522,399,428

The weighted average number of shares used to calculate the basic loss per share for the period ended 31 December 2004 was adjusted according to a ordinary resolution passed in the Special General Meeting of the Company held on 27 June 2005 in connection to the rights issue of 1,615,668,333 rights shares at a price of HK$0.10 each payable in full on acceptance on the basis that three rights shares for every existing share held.

Diluted loss per share for the six months ended 31 December 2005 has not been presented as the effect of the assumed conversion of the Company's convertible notes would be anti-dilutive.

There were no potential dilutive shares in existence for the six months ended 31 December 2004. Accordingly, no diluted loss per share has been presented.

8. Intangible assets

Intangible assets represent trademarks and artiste contract rights. The changes in the net book value of intangible assets for the six months ended 31 December 2005 are analysed as follows:

	HK$'000
At 1 July 2005 (Audited)	1,266
Additions	76
Amortisation charged for the period	(121)
At 31 December 2005 (Unaudited)	**1,221**

9. Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	31 December 2005 (Unaudited) ***HK$'000***	30 June 2005 (Audited) *HK$'000*
In Hong Kong held on:		
Leases of over 50 years	**10,928**	10,934

10. Interests in associates

	31 December 2005 (Unaudited) ***HK$'000***	30 June 2005 (Audited) *HK$'000*
Unlisted shares, at cost	**336,275**	–
Goodwill	**(112,626)**	–
Share of results of associates	**(61,393)**	–
Share of net assets of associates	**162,256**	–

On 21 April 2005, Enjoy Profits Limited, a wholly-owned subsidiary of the Company entered into an acquisition agreement with TVB Satellite TV Holdings Limited to acquire 49% interests in Galaxy Satellite TV Holdings Limited and its subsidiary ("Galaxy Group") for a cash consideration of approximately HK$336,275,000 ("Acquisition"). Subsequent to the completion of the acquisition on 12 August 2005, Galaxy Group became associate companies of the Group. The net assets of Galaxy Group as at the date of the acquisition was approximately HK$223,649,000. Accordingly, goodwill arising from the Acquisition was approximately HK$112,626,000. The amount has been included in the total amount of goodwill of HK$113,718,000 as at 31 December 2005.

11. Property, plant and equipment

The changes in the net book value of property, plant and equipment for the six months ended 31 December 2005 are analysed as follows:

	HK$'000
At 1 July 2005 (Audited)	26,678
Transferred to leasehold land (Note 9)	(10,934)
Additions	580
Depreciation charged for the period	(764)
Disposal of fixed assets	(4)
At 31 December 2005 (Unaudited)	**15,556**

12. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK$8,610,000 (as at 30 June 2005: HK$4,750,000) with the following aged analysis:

	31 December 2005 (Unaudited) *HK$'000*	30 June 2005 (Audited) *HK$'000*
Within 90 days	**4,302**	4,077
Over 90 days	**4,308**	673
	8,610	4,750

The Group allows an average credit period of 90 – 180 days (30 June 2005: 90-180 days) to its trade customers.

13. Loan receivables

The loan receivables are unsecured, chargeable with interest at 2.5% over the best lending rate of Hong Kong dollars and repayable on demand.

During the period ended 31 December 2005, the Company has loaned to a number of independent third parties. As at 31 December 2005, the outstanding short-term loans were approximately HK$40,963,000. Subsequent to the balance sheet date, the loan receivables have been further repaid. As at the date of this report, the total outstanding loan amounts were approximately HK$6,817,000.

14. Trade and other payables

Included in trade and other payables are trade payables of approximately HK$5,056,000, (as at 30 June 2005: HK$4,731,000) with the following aged analysis:

	31 December 2005 (Unaudited) ***HK$'000***	30 June 2005 (Audited) *HK$'000*
Within 90 days	**3,793**	3,887
Over 90 days	**1,263**	844
	5,056	4,731

15. Short-team loan – unsecured

On 11 August 2005, the Company entered into a loan agreement with ITC Management Limited for a loan facility in the principal amount of HK$25,000,000.

The short-term loan is unsecured, chargeable with interest at 2% over the best lending rate of Hong Kong dollar and repayable on demand.

16. Pledged of assets

As at 31 December 2005, the Group's leasehold land and building, with total net book value of approximately HK$21,615,000 (2004: Nil) was pledged to secure banking facilities to the extent of HK$10,000,000. As at 31 December 2005, approximately HK$9,931,000 has been utilized.

17. Convertible notes

	(Unaudited) *HK$'000*
Face value of convertible notes issued on 10 August 2005	170,000
Equity component	(45,920)
Liability component on initial recognition on 10 August 2005	124,080
Interest expense	5,135
Liability component at 31 December 2005	129,215

Pursuant to the convertible notes subscription agreement dated 21 April 2005, the Company issued convertible notes in the principal of HK$170,000,000 (the "Convertible Notes") to Hanny Holdings Limited, (the "Noteholder"). The Noteholder may at any business day after the date of issue of the Convertible Notes up to and including the date prior to the fifth anniversary of the date of issue of the Convertible Notes convert the whole or any part in an amount or integral multiple of HK$500,000 of the principal amount of the Convertible Notes into shares of HK$0.01 each in the share capital of the Company, at the conversion price of HK$0.12 per share.

17. Convertible notes (Continued)

The fair value of the liability component of the convertible notes at 31 December 2005 amounted to approximately HK$129,215,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.75%.

Interest expense on the notes is calculated using the effective interest method by applying the effective interest rate of 7.75% to the liability component.

18. Share capital

	Number of shares	Nominal value *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at beginning and end of period	50,000,000,000	500,000

	Number of shares	Nominal value *HK$'000*
Issued:		
Ordinary shares of HK$0.01 each at beginning of period	538,556,111	5,386
Rights issue *(Note)*	1,615,668,333	16,156
Ordinary shares of HK$0.01 each	2,154,224,444	21,542

Note:

Pursuant to a ordinary resolution passed by the shareholders of the Company at a special general meeting on 27 June 2005, rights issue of 1,615,668,333 rights shares at price of HK$0.10 each payable in full on acceptance on the basis that three rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 22 July 2005.

19. Contingent liabilities and commitments

(i) The Company and its ex-subsidiary, P.N. Electronics Ltd. ("PNE"), are in an 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 was initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has, upon legal advice, vigorously contested the alleged claims and has counterclaimed for the said sum of HK$18 million as well as other damages in the said proceeding. At this time, the action is in a standstill and thus it is not possible to predict the outcome with reasonable certainty.

19. Contingent liabilities and commitments (Continued)

(ii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued 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 liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest. 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 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 a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied). 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. Directions have been given by the Court for the completion of discovery and the exchange of witness statements in the main action. Directions have also been given by the Court for the filing of a Reply by the Company in the Third Party Proceedings.

(iii) ***Capital commitments***

As at 31 December 2005, the Group had the following commitments which were not provided for in the condensed consolidated balance sheet:

	31 December 2005 (Unaudited) ***HK$'000***	30 June 2005 (Audited) *HK$'000*
Authorised and contracted for in respect of capital contribution in film production in progress	**8,221**	4,884
Authorised and contracted for in respect of a music production in progress	–	1,400
	8,221	6,284

19. Contingent liabilities and commitments (Continued)

(iv) Operating leases commitments

As at 31 December 2005, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	31 December 2005 (Unaudited) ***HK$'000***	30 June 2005 (Audited) *HK$'000*
Within one year	**1,175**	255
Within two to five years	**12,628**	100
Over five years	**2,684**	–
	16,487	355

(v) As at 31 December 2005, the Group's fixed deposits amounted to HK$700,000 has been pledged to a bank for guarantee of the operating lease commitment as stated in note 19(iv) above.

20. Events after balance sheet date

(i) As disclosed in note 15 to the interim financial statements, the Company further entered into a supplemental loan agreement with ITC Management Limited on 28 February 2006. Pursuant to the supplemental loan agreement, ITC Management Limited has agreed to increase the loan facility by HK$84,000,000 from the principal amount of HK$25,000,000 to HK$109,000,000. The terms of the supplemental loan agreement is the same as disclosed in note 15 to the interim financial statements.

(ii) The Group's operation of multimedia electronic products, toys and games products and telecommunication and system integration has been ceased in February 2006.

21. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

22. Approval of interim financial report

The interim financial report was approved by the Board of Directors on 24 March 2006.

By Order of the Board
Yu Kam Lee, Lawrence
B.B.S., M.B.E., J.P.
Chairman

Hong Kong, 24 March 2006