



漢傳媒集團有限公司
SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 491)

Interim Report 2007



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. Wong Yat Cheung (*Managing Director*)
Mr. Yu Kam Yuen, Lincoln
Mr. Tong Chin Shing

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

QUALIFIED ACCOUNTANT

Mr. Kwok Yeuk Yee

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
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

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2/F., Talon Tower
38 Connaught Road West
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

WEBSITE

<http://www.irasia.com/listco/hk/see>

STOCK CODE

491

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 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group’s turnover during the six months ended 31 December 2006 amounted to HK\$28 million. This figure was 89 percent higher than the amount of HK\$14.8 million recorded in the same period of the previous year. The increase was mainly attributable to the greater number of films that the Group released, as well as substantial growth in the turnover of its artiste and model management operations during the period under review.

Meanwhile, the Group’s gross profit amounted to HK\$4.2 million, compared with HK\$4.9 million in the last six months of 2005. The Group’s continuing operations recorded a loss of HK\$96.3 million during this period; while its share of the net loss incurred by associates amounted to HK\$75.7 million. The loss attributable to equity holders totalled HK\$95.9 million, compared with a loss of HK\$83.4 million in the same period of the previous year. Loss per share for the period was HK\$0.74 compared with HK\$1.43 for the last year.

REVIEW OF OPERATIONS

During the six months ended 31 December 2006, the Group was principally engaged in the entertainment and media industry, and all its income was derived from these sectors. The business involving the trading of multimedia electronic products was dormant in this period.

Entertainment

Film and TV programme productions

The Group continued to produce a number of films during the period under review.

“Wo Hu” was released in October 2006, and “Wise Guys Never Die” was released in December 2006.

The turnover and gross profit derived from film and TV programme productions amounted to HK\$19.2 million and HK\$2 million respectively, compared with HK\$5.3 million and HK\$3.1 million in the same period of the previous year. The decline in the figure for gross profit was mainly due to the amortisation of rights for films produced in the previous period. The net book value of the Group’s film rights as at 31 December 2006 was HK\$22.1 million.

Work continued on a number of new films and TV programmes during the period under review. These included “Kung Fu Mahjong 3”, which was subsequently released in February 2007, and “The Beauties”, which will be released later this year.

As at 31 December 2006, the Group incurred a total cost of HK\$18.1 million for film and TV programme production projects that were still ongoing.

Music productions

The Group released two albums by Dear Jane and EO2 in August and November 2006 respectively. EO2 subsequently won several prizes in music awards ceremonies held in early 2007.

The turnover generated by the Group’s music production activities amounted to HK\$0.1 million. Although this is a small contribution to the Group’s earnings, it did help to increase the exposure of its artistes and promote its image.

Event productions

During the period under review, the Group staged several events, such as promotional activities, festivals and fashion shows. The turnover and gross profit arising from these amounted to HK\$0.7 million and HK\$0.2 million respectively, compared with turnover and gross profit from events held in the same period of previous year of HK\$3.7 million and HK\$0.3 million. The lower turnover figure was due to the fact that the Group did not organise any large-scale music concerts in the last six months of 2006.

Artiste and model management

This sector of the Group’s operations grew substantially during the period under review. The artistes and models under contract secured a greatly increased number of assignments, which included appearances in various fashion shows, music live shows, advertisements and public performances.

The sector’s turnover and gross profit amounted to HK\$8.1 million and HK\$2 million respectively, compared with the previous year’s figures of HK\$3.6 million and HK\$1.3 million respectively.

Associates

The performance of TVB Pay Vision, in which the Group owns a 49-percent interest remained unsatisfactory during the period under review. The Group’s share of its loss in the six months to 31 December 2006 amounted to HK\$75.7 million. This compares with a HK\$61.4 million share of its loss during a four-month period included in the Group’s results for the second half of 2005.

GEOGRAPHICAL REVIEW

Most of the Group's revenue was derived from its operations in the Hong Kong and Mainland China markets.

FUTURE BUSINESS PROSPECTS AND PLANS

The production of films and TV programmes will continue to be the mainstay of the Group's operations. We aim to produce several Class B films during 2007 that will target the international markets.

In his Policy Address, the Chief Executive of the Hong Kong SAR stated that the HKSAR Government intends to establish a Hong Kong Film Development Council. Subsequently, the Financial Secretary announced in his 2007 Budget Speech that the Government will establish a fund of HK\$300 million to finance the production of Hong Kong films. The Group hopes that such measures will help to support the local film industry and stimulate its recovery, and that the Group will benefit from its renewed prosperity.

Concerning our artiste and model management sector, the Group will continue to seek out opportunities for our contracted artistes and models to appear in events such as fashion shows, music live shows, advertisements and public performances. We will also continue to allocate resources to train these talents, in order to explore their potential more fully. At the same time, we will maintain our search for new artistes and models to add to our portfolio.

The number of TVB Pay Vision's subscribers has been rising steadily. New promotional campaigns to increase the number of subscribers will be launched to improve the performance of these associates. At the same time, effective measures to control their operating costs, especially the cost of programme production will be implemented.

FINANCIAL REVIEW AND LIQUIDITY

As at 31 December 2006, the Group's net assets amounted to HK\$59.8 million, compared with HK\$156.1 million on 30 June 2006. The current ratio, representing current assets divided by current liabilities, was 2.33. The Group's cash and bank balances amounted to HK\$5.7 million on the balance sheet date. The Group issued convertible notes for a principal amount of HK\$170 million last year. On 31 December 2006, the fair value of the liability component of these convertible notes was approximately HK\$142.2 million. On the balance sheet date, the Group had a short-term loan from third parties of HK\$45.7 million and short-term bank borrowing of HK\$10.1 million. The gearing ratio, as a ratio of total borrowings over total assets was 0.71.

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the period, the revenue and cost for film and TV programme, music and event productions were mainly denominated in Renminbi and Hong Kong dollars. The revenue and cost for the artiste and model management services were also mainly dominated in Renminbi and Hong Kong dollars. Borrowings in terms of loans and convertible notes were denominated in Hong Kong dollars.

As the exchange rate of Hong Kong dollars against Renminbi was 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 2006, the Group has 61 employees (60 based in Hong Kong and 1 based in PRC). 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 performances.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Company and its ex-subsiary P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceedings 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. The arbitration proceedings have been dormant for a substantial period of time and the Company is considering whether any further action should be taken in respect of the same.

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. The Company has 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. BII Finance has not taken any steps to progress with the action since June 2006.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

Shares

As at 31 December 2006, 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 Director	Long position / Short position	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
Yu Kam Kee, Lawrence	Long Position	Beneficial Owner	8,251,788	6.38%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the interests of shareholders, 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	Long position / Short position	Capacity	Number of shares of the Company held	Number of underlying shares (unlisted equity derivatives of the Company) held	Approximate % of the issued share capital of the Company
Ms. Ng Yuen Lan, Macy ("Ms. Ng") (Note 1)	Long Position	Interest of spouse	29,239,773	–	22.62%
	Long Position	Interest of spouse	–	41,871,921	32.40%
Dr. Chan Kwok Keung, Charles ("Dr. Chan") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Beneficial Owner	6,000,000	–	4.64%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
Chinaview International Limited ("Chinaview") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
Galaxyway Investments Limited ("Galaxyway") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%

Name of shareholder	Long position / Short position	Capacity	Number of shares of the Company held	Number of underlying shares (unlisted equity derivatives of the Company) held	Approximate % of the issued share capital of the Company
ITC Corporation Limited ("ITC") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
ITC Investment Holdings Limited ("ITC Investment") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
Mankar Assets Limited ("Mankar") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
Famex Investment Limited ("Famex") (Note 1)	Long Position	Interest of controlled corporation	23,239,773	–	17.98%
	Long Position	Interest of controlled corporation	–	41,871,921	32.40%
Hanny Holdings Limited ("Hanny") (Note 2)	Long Position	Interest of controlled corporation	749,400	–	0.58%
	Long Position	Beneficial owner	22,490,373	–	17.40%
	Long Position	Beneficial owner	–	41,871,921	32.40%

Notes:

- Famex holds 63.98% interest in Hanny. Famex is a wholly-owned subsidiary of Mankar. Mankar is a wholly-owned subsidiary of ITC Investment, which in turn is a wholly-owned subsidiary of ITC. Galaxyway, a wholly-owned subsidiary of Chinaview, owns more than one-third of the issued ordinary share capital of ITC. Dr. Chan owns the entire issued share capital of Chinaview. Ms. Ng is the spouse of Dr. Chan. Famex, Mankar, ITC Investment, ITC, Galaxyway, Chinaview, Dr. Chan and Ms. Ng are deemed to be interested in 23,239,773 shares and 41,871,921 underlying shares held by Hanny.
- Hanny directly holds 22,490,373 shares of the Company and Cyber Generation Limited, an indirect wholly-owned subsidiary of Hanny, holds 749,400 shares of the Company. According to a zero coupon convertible notes in an aggregate principal amount of HK\$170 million issued by the Company to Hanny on 10 August 2005, 41,871,921 shares will be issued by the Company to Hanny upon full conversion of this convertible notes (subject to adjustment and terms contained therein).

Save as disclosed above, no other person had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

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

During the six months ended 31 December 2006, 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 committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices. Throughout the six months period ended 31 December 2006, the Company followed the principles and complied with all applicable provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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. The required standard set out in the Model Code has been complied with throughout the six months period ended 31 December 2006.

AUDIT COMMITTEE

The Company has established an audit committee 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, 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 2006.

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 four Independent Non-executive Directors of the Company, namely Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman, 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. 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 2006

	Note	Six months ended 31 December	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) (Restated) HK\$'000
Continuing Operations			
Turnover	3	28,010	14,808
Cost of sales		(23,845)	(9,919)
Gross profit		4,165	4,889
Other revenue		6,046	2,733
Change in fair value of financial assets at fair value through profit or loss		786	–
Distribution costs		(3,071)	(5,285)
Administrative expenses		(18,878)	(15,942)
Loss from operations	4	(10,952)	(13,605)
Finance costs		(9,680)	(6,056)
Share of results of associates		(75,654)	(61,393)
Loss before taxation		(96,286)	(81,054)
Taxation	5	–	–
Loss for the period from continuing operations		(96,286)	(81,054)
Discontinued Operations			
Loss for the period from discontinued operations	6	–	(3,938)
Loss for the period		(96,286)	(84,992)

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)**For the six months ended 31 December 2006*

		Six months ended 31 December	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) (Restated) HK\$'000
Attributable to:	<i>Note</i>		
Equity holders of the Company		(95,895)	(83,410)
Minority interests		(391)	(1,582)
		<u>(96,286)</u>	<u>(84,992)</u>
Loss per share			
From continuing and discontinued operations			
– Basic	8	<u>HK\$(0.74)</u>	<u>HK\$(1.43)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
– Basic	8	<u>HK\$(0.74)</u>	<u>HK\$(1.39)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Non-current assets			
Intangible assets	9	871	992
Leasehold land		14,289	14,297
Property, plant and equipment	10	11,172	11,325
Interests in associates	11	72,365	148,019
Goodwill		1,092	1,092
		99,789	175,725
Current assets			
Film rights		22,109	22,459
Film production in progress		18,147	29,103
Music production in progress		2,124	1,896
Inventories		540	196
Trade and other receivables	12	65,287	38,319
Loan receivables	13	42,308	–
Financial assets at fair value through profit or loss		7,459	6,674
Held-to-maturity investments		15,739	14,819
Pledged fixed deposits		730	718
Cash and bank balances		4,923	147,685
		179,366	261,869
Less: Current liabilities			
Trade and other payables	14	21,317	26,770
Short-term loan – unsecured	15	45,742	109,000
Bank borrowing – secured		10,069	10,072
		77,128	145,842
Net current assets		102,238	116,027
Total assets less current liabilities		202,027	291,752
Less: Non-current liabilities			
Convertible notes	17	142,231	135,670
Net assets		59,796	156,082
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	1,292	129,253
Reserves		57,834	25,768
		59,126	155,021
Minority interests		670	1,061
		59,796	156,082

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006 (Unaudited)

	Attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Accumulated deficits HK\$'000	Minority interests HK\$'000	
At 1 July 2006	129,253	268,129	-	45,920	(288,281)	1,061	156,082
Capital reduction	(127,961)	-	127,961	-	-	-	-
Amount transferred to written off accumulated deficits	-	-	(127,961)	-	127,961	-	-
Net loss for the period	-	-	-	-	(95,895)	(391)	(96,286)
At 31 December 2006	<u>1,292</u>	<u>268,129</u>	<u>-</u>	<u>45,920</u>	<u>(256,215)</u>	<u>670</u>	<u>59,796</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 December 2005 (Unaudited)

	Attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Accumulated deficits HK\$'000	Minority interests 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 Amount transferred to written off accumulated deficits	-	(28,663)	28,663	-	-	-	-
Issue of shares pursuant to rights issue	16,156	-	-	-	-	-	16,156
Premium arising on issue of shares pursuant to rights issue	-	145,410	-	-	-	-	145,410
Share issue expenses on rights issue	-	(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	<u>21,542</u>	<u>232,799</u>	<u>-</u>	<u>45,920</u>	<u>(109,810)</u>	<u>854</u>	<u>191,305</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	Six months ended 31 December	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash outflow from operating activities	(41,554)	(36,707)
Net cash outflow from investing activities	(42,188)	(380,653)
Net cash (outflow)/inflow from financing activities	(59,008)	399,519
Decrease in cash and cash equivalents	(142,750)	(17,841)
Cash and cash equivalents at beginning of period	148,403	19,670
Cash and cash equivalents at end of period	<u>5,653</u>	<u>1,829</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>5,653</u>	<u>1,829</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2006 except in relation to the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also includes HKASs and Interpretations) which are generally effective and are relevant to the Group’s operations for accounting periods beginning on or after 1 January 2006 and are adopted the first time by the Group for the current periods’ financial statements.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Change in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29
	Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The adoption of the above HKFRSs does not result in substantial changes to the accounting policies of the Company and its subsidiaries and has no significant effect on the results reported for the six months ended 31 December 2006 and prior periods.

2. EFFECT OF ADOPTION OF NEW AND REVISED HKFRSs AND HKASs

The adoption of the above HKFRSs does not result in substantial changes to the accounting policies of the Company and its subsidiaries and has no significant effect on the results reported for the six months ended 31 December 2006 and prior periods.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures (<i>Note i</i>)
HKFRS 7	Financial Instruments: Disclosures (<i>Note i</i>)
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment (<i>Note ii</i>)
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions (<i>Note iii</i>)

Notes:

- (i) Effective for financial period commencing on or after 1 January 2007.
- (ii) Effective for financial period commencing on or after 1 November 2006.
- (iii) Effective for financial period commencing on or after 1 March 2007.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 (Amendment) and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs should have no significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

(a) Business segments

During the period ended 31 December 2006, the Group was mainly engaged in (i) film and TV programme productions, (ii) event productions, (iii) artiste and model management, (iv) music productions and (v) trading of multimedia electronic products, toys and games products.

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

	Six months ended 31 December 2006 (Unaudited)						Consolidated HK\$'000
	Continuing operations						
	Film/TV programme productions HK\$'000	Event productions HK\$'000	Artiste and model management HK\$'000	Music productions HK\$'000	Toys and games products * HK\$'000	Multimedia electronic products * HK\$'000	
Revenue from external customers	19,236	654	8,071	49	-	-	28,010
Segment results	2,010	176	1,971	8	-	-	4,165
Interest income and unallocated gains							6,046
Unallocated corporate expenses							(21,949)
Change in fair value of financial assets at fair value through profit or loss							786
Loss from operations							(10,952)
Finance costs							(9,680)
Share of results of associates							(75,654)
Loss before taxation							(96,286)
Taxation							-
Loss for the period							(96,286)

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Six months ended 31 December 2005 (Unaudited)						Discontinued	Consolidated HK\$'000 (Restated)
	Continuing operations						operations	
	Film/TV programme productions HK\$'000 (Restated)	Event productions HK\$'000	Artiste and model management HK\$'000	Music productions HK\$'000	Toys and games products* HK\$'000	Multimedia electronic products* HK\$'000	Telecom- munication/ system integration* HK\$'000 (Restated)	
Revenue from external customers	<u>5,257</u>	<u>3,731</u>	<u>3,582</u>	<u>-</u>	<u>-</u>	<u>2,238</u>	<u>470</u>	<u>15,278</u>
Segment results	<u>3,067</u>	<u>259</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>257</u>	<u>279</u>	<u>5,168</u>
Interest income and unallocated gains								2,733
Unallocated corporate expenses								(21,085)
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								-
Loss for the period								<u>(84,992)</u>

* The operations of trading of multimedia electronic products and toys and games products were dormant since February 2006. The telecommunication and system integration operation was discontinued in June 2006.

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

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.

	Six months ended 31 December 2006 (Unaudited)						Con- solidated HK\$'000
	North America*	Europe*	Japan*	Hong Kong	China	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	-	-	-	27,081	869	60	28,010
Segment results	-	-	-	3,797	342	26	4,165

	Six months ended 31 December 2005 (Unaudited)						Con- solidated HK\$'000 (Restated)
	North America*	Europe*	Japan*	Hong Kong	China	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000	
Revenue from external customers	1,044	491	-	12,571	1,040	132	15,278
Segment results	157	20	-	4,632	279	80	5,168

There are no sales between the geographical segments.

* The geographical segments of North America, Europe and Japan were dormant following the cessation of the operation of multimedia electronic products, toys and games products in February 2006.

4. LOSS FROM OPERATIONS

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

	Six months ended 31 December	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Loss from operations has been arrived at after charging as following items:		
Amortisation of film rights	17,226	2,190
Amortisation of leasehold land	8	6
Amortisation of trademark	126	121
Depreciation of property, plant and equipment	619	764
Operating leases in respect of land and buildings	1,962	989
Staff cost	8,978	6,307
	<u>8,978</u>	<u>6,307</u>

5. TAXATION

No provision for Hong Kong profit tax has been made in the financial statements as the Group and the Company either incurred taxation loss or had no assessable profit for the period (2005: Nil).

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 statement (2005: Nil).

The Group has not recognised deferred tax assets in respect of loss due to the unpredictability of future profit streams.

6. DISCONTINUED OPERATIONS

On 15 June 2006, the Group disposed of its interests in certain subsidiaries ("Disposed Subsidiaries") at a total consideration of US\$4 (approximately equivalent to HK\$31). The principal activity of a major subsidiary disposed was the provision of telecommunication and system integration services. Upon disposal of the Disposed Subsidiaries, the Group discontinued its provision of telecommunication and system integration services.

6. DISCONTINUED OPERATIONS *(Continued)*

The analysis of the loss recognised in the Group's condensed consolidated income statement is as follows:

	Six months ended 31 December	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	–	470
Cost of sales	–	(191)
	<hr/>	<hr/>
Gross profit	–	279
Other operating income	–	–
Administrative expenses	–	(4,217)
	<hr/>	<hr/>
Loss from operations	–	(3,938)
Finance costs	–	–
	<hr/>	<hr/>
Loss before taxation	–	(3,938)
Taxation	–	–
	<hr/>	<hr/>
Net loss for the period	<u>–</u>	<u>(3,938)</u>

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the current period (2005: Nil).

8. LOSS PER SHARE

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

	Six months ended 31 December	
	2006 (Unaudited)	2005 (Unaudited) (Restated)
Loss for the period for the purposes of basic loss per ordinary share <i>(in HK\$'000)</i>	<u>(95,895)</u>	<u>(83,410)</u>
Weighted average number of shares for the purpose of basic loss per ordinary share	<u>129,253,466</u>	<u>58,238,378</u>

8. LOSS PER SHARE *(Continued)*

The weighted average number of ordinary shares for the period ended 31 December 2005 for the purpose of basis and diluted earnings per share has been adjusted (i) pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 12 June 2006 in connection to the rights issue of 10,771,122,220 rights shares at a price of HK\$0.014 each and (ii) for the share consolidation which was approved by the shareholders on 31 October 2006.

Diluted loss per share for the six months ended 31 December 2006 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 2005. Accordingly, no diluted loss per share has been presented.

9. 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 2006 are analysed as follow:

	<i>HK\$'000</i>
At 1 July 2006 (Audited)	992
Additions	5
Amortisation charged for the period	(126)
	<hr/>
At 31 December 2006 (Unaudited)	871
	<hr/> <hr/>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2006, the Group acquired property, plant and equipment for an amount of approximately HK\$466,000 (2005: HK\$580,000).

11. INTERESTS IN ASSOCIATES

	31 December 2006 (Unaudited) <i>HK\$'000</i>	30 June 2006 (Audited) <i>HK\$'000</i>
Share of net assets of associates	–	75,654
Goodwill arising on acquisition of associates	72,365	72,365
	<hr/>	<hr/>
	72,365	148,019
	<hr/> <hr/>	<hr/> <hr/>

11. INTERESTS IN ASSOCIATES *(Continued)*

At 31 December 2006, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 31 December 2006 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers. According to the results of the valuation by Norton Appraisals, the directors are of the opinion that no impairment loss on goodwill was needed to provide during the period.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$33,914,000 (as at 30 June 2006: HK\$12,518,000) with the following aged analysis:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
0-90 days	26,341	5,330
91 days or above	11,247	10,862
	37,588	16,192
Less: Impairment loss on trade receivables	(3,674)	(3,674)
	33,914	12,518

The Group allows an average credit period of 90-180 days (30 June 2006: 90-180 days) to its trade customers.

The carrying amounts of the Group's trade and other receivables at 31 December 2006 were approximate to their fair values.

13. LOAN RECEIVABLES

During the period ended 31 December 2006, the Company has loaned to a number of independent third parties. Loan receivables are unsecured, chargeable with interest at 2% - 3% over the best lending rate of Hong Kong dollar and repayable on demand.

The carrying amounts of the Group's loan receivables at 31 December 2006 were approximate to their fair values.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$8,488,000 (as at 30 June 2006: HK\$11,254,000). An aged analysis of trade and other payables prepared on the basis of supplier invoice date is as follow:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
0-90 days	2,788	5,971
91 days or above	5,700	5,283
	<u>8,488</u>	<u>11,254</u>

The carrying amounts of the Group's trade and other payables at 31 December 2006 were approximate to their fair values.

15. SHORT-TERM 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. On 28 February 2006, the Company further entered into a supplemental loan agreement with ITC Management Limited for increasing the loan facility to HK\$109,000,000. The short-term loan is unsecured, chargeable with interest at 2% over the best lending rate of Hong Kong dollar and repayable on demand. The outstanding balance of the short-term loan as at 31 December 2006 was HK\$5,742,000.

During the period, the Group obtained new borrowing amounting to HK\$40,000,000. The loan interest was charged at 2% over the best lending rate of Hong Kong dollar and repayable on demand. The proceeds were used to finance the operation.

16. PLEDGED OF ASSETS

As at 31 December 2006, the Group's leasehold land and building, with total net book value of approximately HK\$21,485,000 (30 June 2006: HK\$21,587,000) was pledged to secure banking facilities to the extent of HK\$10,000,000.

17. CONVERTIBLE NOTES

	(Unaudited) HK\$'000
Face value of convertible notes issued on 10 August 2005	170,000
Equity component	<u>(45,920)</u>
Liability component on initial recognition on 10 August 2005	124,080
Interest expense	<u>18,151</u>
Liability component at 31 December 2006	<u><u>142,231</u></u>

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.

The conversion price of the Convertible Notes had been adjusted from HK\$0.12 per share to HK\$0.0406 per share as a result of the Rights Issue taken place on 30 June 2006. The conversion price of the Convertible Notes had been further adjusted from HK\$0.0406 per share to HK\$4.06 per share as a result of the share consolidation taken place on 31 October 2006.

The fair value of the liability component of the convertible notes at 31 December 2006 amounted to approximately HK\$142,231,000. 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 at end of period	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at beginning of period	12,925,346,664	129,253
Capital reorganisation		
– Capital reduction (<i>Note i</i>)	–	(127,961)
– Share consolidation (<i>Note ii</i>)	<u>(12,796,093,198)</u>	<u>–</u>
Ordinary shares of HK\$0.01 each at end of period	<u>129,253,466</u>	<u>1,292</u>

Notes:

- (i) Pursuant to a ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, the nominal value of each existing share was reduced from HK\$0.01 to HK\$0.0001 by cancelling the Company's paid up capital to the extent of HK\$0.0099 on each existing share.
- (ii) Pursuant to ordinary resolution passed by the shareholders of the Company at a special general meeting on 31 October 2006, every 100 issued shares of HK\$0.0001 each resulting from the capital reduction was consolidated into one consolidate share of HK\$0.01 each.

19. CONTINGENT LIABILITIES

- (i) As at 30 June 2006, the Company provided corporate guarantees amounting to approximately HK\$24 million to a financial institution in respect of banking facilities granted to Welback International Investments Limited and its subsidiaries ("WILL group") approximately HK\$5.5 million of which was utilized by members of the WILL group and such amount was claimed by the financial institution as disclosed in point (iii) below.
- (ii) The Company and its ex-subsiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceedings 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. The arbitration proceedings have been dormant for a substantial period of time and the Company is considering whether any further action should be taken in respect of the same.

19. CONTINGENT LIABILITIES *(Continued)*

- (iii) 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. The Company has 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. BII Finance has not taken any steps to progress with the action since June 2006.

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 of the Company to be pending or threatened by or against any member of the Group.

20. COMMITMENTS*(i) Capital commitments*

As at 31 December 2006, the Group had the following capital commitments which were not provided for in the condensed consolidated balance sheet:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Authorised and contracted for in respect of capital contribution in film production in progress	3,130	7,828

20. COMMITMENTS *(Continued)***(ii) Operating lease commitments**

As at 31 December 2006, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Within one year	2,858	2,242
In the second to fifth year inclusive	13,967	15,362
	<u>16,825</u>	<u>17,604</u>

21. EVENTS AFTER THE BALANCE SHEET DATE

On 13 March 2007, the Company proposed to raise approximately HK\$103.4 million before expenses by way of the rights issue of 517,013,864 rights shares at a price of HK\$0.2 each payable in full on the basis that four rights shares for every share held by the qualifying shareholders on the record date. The details are set out in the Company's announcement dated 13 March 2007.

22. COMPARATIVE FIGURES

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

23. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 26 March 2007.

By Order of the Board
See Corporation Limited
Yu Kam Kee, Lawrence

B.B.S., M.B.E., J.P.

Chairman

Hong Kong, 26 March 2007