



漢傳媒集團有限公司*
SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

**INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

| | | Six months ended 31 December | |
|--|-------------|---|--------------------|
| | | 2006 | 2005 |
| | | (Unaudited) | (Unaudited) |
| | | | (Restated) |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| <i>Continuing Operations</i> | | | |
| 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) |
| <i>Discontinued Operations</i> | | | |
| Loss for the period from discontinued operations | 6 | – | (3,938) |
| Loss for the period | | (96,286) | (84,992) |
| Attributable to: | | | |
| Equity holders of the Company | | (95,895) | (83,410) |
| Minority interests | | (391) | (1,582) |
| | | (96,286) | (84,992) |
| Loss per Share | | | |
| From continuing and discontinued operations | | | |
| – Basic | 8 | HK\$(0.74) | HK\$(1.43) |
| – Diluted | | N/A | N/A |
| From continuing operations | | | |
| – Basic | 8 | HK\$(0.74) | HK\$(1.39) |
| – Diluted | | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

| | | 31 December 2006 (Unaudited) HK\$'000 | 30 June 2006 (Audited) HK\$'000 |
|---|-------------|--|--|
| | <i>Note</i> | | |
| 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 |
| | | <u>99,789</u> | <u>175,725</u> |
| 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 |
| | | <u>179,366</u> | <u>261,869</u> |
| 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 |
| | | <u>77,128</u> | <u>145,842</u> |
| Net current assets | | <u>102,238</u> | 116,027 |
| Total assets less current liabilities | | <u>202,027</u> | 291,752 |
| Less: Non-current liabilities | | | |
| Convertible notes | 17 | 142,231 | 135,670 |
| Net assets | | <u>59,796</u> | <u>156,082</u> |

Equity

Capital and reserves attributable to the Company's equity holders

| | | | |
|--------------------|----|---------------|----------------|
| Share capital | 18 | 1,292 | 129,253 |
| Reserves | | 57,834 | 25,768 |
| | | <u>59,126</u> | <u>155,021</u> |
| Minority Interests | | 670 | 1,061 |
| | | <u>59,796</u> | <u>156,082</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006 (in HK Dollars)

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

Six months ended 31 December 2005 (Unaudited)

| | Continuing operations | | | | | | Discontinued operations | Consolidated HK\$'000 (Restated) |
|--|---|----------------------------------|--|----------------------------------|--|---|---|--|
| | 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.

(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) | | | | | | Consolidated HK\$'000 |
|------------------------------------|---|---------------------|--------------------|-----------------------|-------------------|--------------------|--------------------------|
| | North America* HK\$'000 | Europe* HK\$'000 | Japan* HK\$'000 | Hong Kong HK\$'000 | China HK\$'000 | Others HK\$'000 | |
| Revenue from external customers | <u>-</u> | <u>-</u> | <u>-</u> | <u>27,081</u> | <u>869</u> | <u>60</u> | <u>28,010</u> |
| Segment results | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,797</u> | <u>342</u> | <u>26</u> | <u>4,165</u> |

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

There are no sales between the geographical segments.

- * The geographical segments of North America, Europe and Japan were dormant following on 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 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | 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 | <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.

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

| | 2006 | 2005 |
|-------------------------|--------------------|-------------|
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Turnover | - | 470 |
| Cost of sales | - | (191) |
| Gross profit | - | 279 |
| Other operating income | - | - |
| Administrative expenses | - | (4,217) |

| | | |
|-------------------------|----------|----------------|
| Loss from operations | – | (3,938) |
| Finance costs | – | – |
| | <u>–</u> | <u>–</u> |
| Loss before taxation | – | (3,938) |
| Taxation | – | – |
| | <u>–</u> | <u>–</u> |
| 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 | 2005 |
| | (Unaudited) | (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> |

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 | <u>(126)</u> |
| At 31 December 2006 (Unaudited) | <u>871</u> |

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) HK\$'000 | 30 June 2006 (Audited) HK\$'000 |
|---|--|--|
| Share of net assets of associates | – | 75,654 |
| Goodwill arising on acquisition of associates | <u>72,365</u> | <u>72,365</u> |
| | <u>72,365</u> | <u>148,019</u> |

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 | <u>11,247</u> | <u>10,862</u> |
| | 37,588 | 16,192 |
| Less: Impairment loss on trade receivables | <u>(3,674)</u> | <u>(3,674)</u> |
| | <u>33,914</u> | <u>12,518</u> |

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 value.

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 | (45,920) |
| | <u>124,080</u> |
| Liability component on initial recognition on 10 August 2005 | 124,080 |
| Interest expense | 18,151 |
| | <u>142,231</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 ("WIIL group") approximately HK\$5.5 million of which was utilized by members of the WIIL group and such amount was claimed by the financial institution as disclosed in point (iii) below.

- (ii) The Company and its ex-subsiidiary, 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.
- (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 | <u>3,130</u> | <u>7,828</u> |

(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 | <u>13,967</u> | <u>15,362</u> |
| | <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.

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 amortization 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.

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 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, 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.

By Order of the Board of
See Corporation Limited
Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Chairman

Hong Kong, 26 March 2007

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors:

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.*
Mr. Wong Yat Cheung
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

* *for identification purpose only*