




漢傳媒集團有限公司  
SEE CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

Annual Report 2005

SEEING IS BELIEVING





# Seeing is Believing



## Contents

Corporate Information	2
Chairman's Statement	3-5
Management Discussion and Analysis	6-10
Report of the Directors	11-21
Profile of the Directors	22-23
Auditors' Report	24-25
Consolidated Income Statement	26
Consolidated Balance Sheet	27
Balance Sheet	28
Consolidated Statement of Changes in Equity	29
Consolidated Cash Flow Statement	30-31
Notes to the Financial Statements	32-71
Five Year Financial Summary	72

## 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

#### Independent Non-executive Directors

Mr. Li Fui Lung, Danny

Mr. Ng Hoi Yue, Herman

Hon. Shek Lai Him, Abraham, J.P.

### 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.

### 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

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### WEBSITE

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

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of See Corporation Limited (formerly known as Ruili Holdings Limited) (hereinafter referred to as the "Company"), I am pleased to announce the results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2005.

### BUSINESS AND OPERATIONS REVIEW

#### Trading of Multimedia Electronic Products and Provision of Telecommunication and System Integration Services

Compared with last year, we are able to achieve significant growth of 141% in turnover for the sale of multimedia electronic products. Such increase is largely attributable to the rise in demand of multimedia electronic products like DVD players and digital cameras.

During this year, the Group has diversified its business by providing telecommunication and system integration services through the acquisition of 深圳銀河通信息技術有限公司.

The trading of digital cameras, games, multimedia electronic products and telecommunication and high technology components remains highly competitive and the Group continues to adopt an aggressive pricing strategy in order to maintain its market share.

#### Media and Entertainment Business

Around the last quarter of 2004, the Group embarked on its new business in the media and entertainment industry. To reflect the Company's proactive approach in developing its show business which offers great entertainment and enjoyment to the public through its multi-media networks, the Company was renamed "See Corporation Limited 漢傳媒集團有限公司" in September 2005. In addition, the Group is developing a cross-media platform, as demonstrated in the establishment of various Group companies to engage in the production, promotion and distribution of music, movie, television programme, other multimedia entertainment products and entertainment events and artiste and model management businesses.

See People Limited, See Music Limited, See Movie Limited and See Entertainment Limited were all founded as the flagship operations of the Group and represented the milestone in the development of the Group's entertainment business. The Group also established other companies like Snazz Entertainment Group Limited, and after the year end Snazz Artistes Limited, Snazz Music Limited and Mega-Vision Productions Limited to diversify its scope of business to include content production, distribution and talent management, etc.

To expand its businesses worldwide, the Group joined the world's renowned model agency, Look Models International Inc. ("Look Models"). A licence arrangement for the use of the brand "Look Models" was entered into by the Group in May 2005, and Look Models Hong Kong Limited was formed in late June 2005 as the Group's wholly owned subsidiary to kickstart its model agency operation in the Pacific rim region.

## **CHAIRMAN'S STATEMENT** (Continued)

The first closing of the acquisition of 49% shareholding interest in Galaxy Satellite TV Holdings Limited ("Galaxy") was completed in August 2005. Galaxy and its wholly owned subsidiary, Galaxy Satellite Broadcasting Limited, now operating under the brand name "SUPERSUN", are principally engaged in pay-television business in Hong Kong and teleport business which includes the provision of satellite uplink and playback services. The acquisition represents a further investment by the Group into the media and entertainment business and would enable the Group to enter the pay-television market in Hong Kong. It is expected that the acquisition will bring fast growing return to the Group after Galaxy attains a critical mass of viewers.

### **MAJOR CORPORATE ACTIONS**

#### **During the year ended 30 June 2005**

- (1) Consolidation of 40 shares of HK\$0.01 each of the Company into one share of HK\$0.4 each which became effective on 20 December 2004;
- (2) Placing of 225,000,000 shares of the Company at HK\$0.40 each which was completed on 21 January 2005;
- (3) Capital reorganization involving inter alia reduction of the nominal value of the issued shares of the Company from HK\$0.40 to HK\$0.01 each by canceling the paid-up capital to the extent of HK\$0.39 per share which became effective on 28 June 2005 and cancellation of HK\$28,662,776 standing to the credit of the share premium account of the Company which became effective on 15 July 2005;

#### **After the year ended 30 June 2005**

- (4) Issue of 1,615,668,333 rights shares at the subscription price of HK\$0.10 per rights share on the basis of three rights shares for every issued share. The rights shares were issued on 22 July 2005;
- (5) Issue of a convertible note in an aggregate principal amount of HK\$170,000,000 to Hanny Holdings Limited on 10 August 2005. The convertible note is zero coupon-based, has a maturity term of 5 years and is convertible into the Company's ordinary shares at a conversion price of HK\$0.12 per share (subject to adjustments).

## CHAIRMAN'S STATEMENT (Continued)

### OUTLOOK

Our vision of being market leader in the entertainment industry is enshrined in the motto "Seeing is believing!". The management is confident that our business strategy, coupled with the advent of technology and cinematic advances, will greatly benefit our Group in the future.

Our Group is providing high quality content and utilizes resources to produce sophisticated entertainment products to be distributed via a variety of media. We will continue our efforts in grooming promising artists dedicated to the entertainment industry. We are committed to sourcing and nurturing up-and-coming performers and exploring their potentials by experienced entertainment business professionals. The alliance with Look Models attracts elite models, as witnessed by the recent joining of famous super models to the Group.

Looking forward, the management team will be dedicated to actively exploring investment opportunities worldwide to lay down a solid foundation for the future growth and prosperity of the Company. We are optimistic of the results of the Group in the coming years.

### APPRECIATION

The year 2005 witnessed a brand new start of the Group. On behalf of the Board, I would like to express our gratitude to our management and staff for their continuing support to the Group.

**Yu Kam Kee, Lawrence**

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

*Chairman*

Hong Kong, 26 October 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### RESULTS

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

### REVIEW OF OPERATIONS

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

#### Multimedia Electronic Products

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

#### Telecommunication and System Integration

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



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Entertainment

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

### GEOGRAPHICAL REVIEW

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

### MATERIAL ACQUISITION

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **FUTURE BUSINESS PROSPECTS AND PLANS**

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

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

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

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

### **FINANCIAL REVIEW AND LIQUIDITY**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

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

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

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

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

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

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

### **EMPLOYEE SCHEMES AND REMUNERATION POLICIES**

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **MAJOR LITIGATION AND ARBITRATION PROCEEDINGS**

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

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

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



## REPORT OF THE DIRECTORS

The directors have pleasure in presenting the report of the directors of See Corporation Limited (formerly known as Ruili Holdings Limited) (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2005.

### CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a special general meeting held on 24 August 2005 and the approval by the Registrar of Companies in Bermuda, the name of the Company was officially changed to See Corporation Limited 漢傳媒集團有限公司 on 1 September 2005 and for stock trading purposes on The Stock Exchange of Hong Kong Limited, the name change was effective on 12 October 2005.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in trading of digital cameras, games, multimedia electronic products and telecommunication and high technology components. Around the last quarter of 2004, the Group started the media and entertainment business which includes production of television programmes and artiste management. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 16 to the financial statements.

### SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2005 are set out in the consolidated income statement on page 26.

The states of affairs of the Group and the Company as at 30 June 2005 are set out in the balance sheets on pages 27 and 28 respectively.

The cashflows of the Group are set out in the statement on pages 30 and 31.

The directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2005.

## **REPORT OF THE DIRECTORS** (Continued)

### **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the share capital and share options of the Company during the year are set out in notes 27 and 12 to the financial statements respectively.

### **RESERVES**

Details of movements in the reserve of the Group and the Company during the year are set out in note 28 to the financial statements.

## REPORT OF THE DIRECTORS (Continued)

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors in office during the financial year and up to the date of this report are:

#### Executive directors

Mr. Yu Kam Kee, Lawrence, B.B.S., M.B.E., J.P.	(appointed on 24 August 2004)
Mr. Carl Chang	(appointed on 24 August 2004)
Mr. Yu Kam Yuen, Lincoln	(appointed on 24 August 2004)
Mr. Liao Chongde	(resigned on 1 March 2005)
Mr. Wu Jiahong	(resigned on 15 April 2005)
Mr. Zhang Yiwei	(resigned on 24 August 2004)
Mr. Lee Kwok Leung, Alan	(resigned on 24 August 2004)
Mr. Hu Yidong	(resigned on 24 August 2004)

#### Independent non-executive directors

Mr. Li Fui Lung, Danny	
Mr. Ng Hoi Yue, Herman	
Mr. John Paul McLellan	(appointed on 30 September 2004 and resigned on 1 October 2005)
Hon. Shek Lai Him, Abraham, J.P.	(appointed on 1 October 2005)

Pursuant to Bye-law 86 of the Company's bye-laws, Hon. Shek Lai Him, Abraham, J.P., who was appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting of the Company, and being eligible, offers himself for re-election at that meeting.

Pursuant to Bye-law 87 of the Company's bye-laws, Mr. Li Fui Lung, Danny shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election at that meeting.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from the independent non-executive directors annual confirmation of independence in accordance with rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

## REPORT OF THE DIRECTORS (Continued)

### PROFILE OF DIRECTORS

Profile of directors of the Company as at the date of the report are set out on pages 22 and 23.

### DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

#### (A) Shares

As at 30 June 2005, the interests of the directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

<b>Name of director</b>	<b>Name of company</b>	<b>Number of ordinary shares</b>	<b>Capacity</b>	<b>Approximate percentage of interest</b>
Yu Kam Kee, Lawrence ("Mr. Lawrence Yu")	See Corporation Limited	137,529,812 (L) (Note)	Beneficial owner	6.38%

Note: The letter "L" denotes long position in the shares of the Company. Out of these 137,529,812 shares, 34,382,453 shares represent shares in issue held by Mr. Lawrence Yu as beneficial owner. The interest in the remaining 103,147,359 shares arose as a result of his undertaking to take up those shares provisionally allotted to him under the issue of 1,615,668,333 rights shares of the Company in July 2005 ("Rights Issue"). The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.



## REPORT OF THE DIRECTORS (Continued)

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### (B) Share options

The Company has a share option scheme under which the 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 therein. Details of the movement of the share options under the share option scheme during the year ended 30 June 2005 were as follows:

Name of director	Exercisable on or after	Exercise price <i>HK\$</i>	No. of share options		
			Outstanding as at 1 July 2004	Exercised during the year	Outstanding as at 30 June 2005
Wu Jiahong	20 February 2003	0.017	50,000,000	(50,000,000)	–

Save as aforesaid, as at 30 June 2005, to the knowledge of the Company, none of the directors nor the chief executive 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

#### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

## REPORT OF THE DIRECTORS (Continued)

### INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

So far as is known to any director or chief executive of the Company, as at 30 June 2005, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares	Capacity	Approximate percentage of interest
Hanny Holdings Limited	1,736,666,666 (L) (Note 2)	Beneficial owner	322.47%
Tai Fook Securities Company Limited	1,117,520,974 (S)	Beneficial owner	51.87%
Tai Fook Finance Company Limited	1,117,520,974 (S) (Note 3)	Interest through a controlled corporation	51.87%
Tai Fook (BVI) Limited	1,117,520,974 (S) (Note 3)	Interest through controlled corporations	51.87%
Tai Fook Securities Group Limited	1,117,520,974 (S) (Note 3)	Interest through controlled corporations	51.87%
Visionary Profits Limited	312,520,974 (L)	Beneficial owner	14.50%
Han Yuanlin	312,520,974 (L) (Note 4)	Interest through a controlled corporation	14.50%
Asia Orient Company Limited	300,000,000 (L)	Beneficial owner	13.93%
Asia Orient Holdings (BVI) Limited	300,000,000 (L) (Note 5)	Interest through a controlled corporation	13.93%
Asia Orient Holdings Limited	300,000,000 (L) (Note 5)	Interest through controlled corporations	13.93%
Poon Jing	300,000,000 (L) (Note 5)	Interest through controlled corporations	13.93%

## REPORT OF THE DIRECTORS (Continued)

### INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (Continued)

Name of shareholder	Number of ordinary shares	Capacity	Approximate percentage of interest
Young Champion Securities Limited	205,000,000 (L)	Beneficial owner	9.52%
Gold Wide Securities Limited	205,000,000 (L) (Note 6)	Interest through a controlled corporation	9.52%
Young Champion Holdings Limited	205,000,000 (L) (Note 6)	Interest through controlled corporations	9.52%
Yeung Hoi Sing, Sonny	217,500,000 (L) (Note 7)	Beneficial owner and interest through controlled corporations	10.10%

*Notes:*

1. The letter "L" denotes the person's long position (i.e. interests) in the shares and the letter "S" denotes such person's short position in the shares.
2. Out of these 1,736,666,666 shares, 1,416,666,666 shares are shares which may fall to be issued to Hanny Holdings Limited ("Hanny") in the event that the convertible notes subscribed by it pursuant to the convertible notes subscription agreement dated 21 April 2005 are subscribed in full and the conversion rights attached thereto are exercised in full at a price of HK\$0.12 per share. The remaining 320,000,000 shares represent Hanny's interest arising from the underwriting agreement dated 21 April 2005 ("Underwriting Agreement") entered into by the Company in relation to the Rights Issue. The interest is expressed as a percentage of the shares of the Company in issue as at 30 June 2005.
3. Tai Fook Securities Company Limited is directly interested in these 1,117,520,974 shares, which interest arose from the Underwriting Agreement. Tai Fook Securities Company Limited is a wholly owned subsidiary of Tai Fook Finance Company Limited which, in turn, is a wholly owned subsidiary of Tai Fook (BVI) Limited. Tai Fook (BVI) Limited is a wholly owned subsidiary of Tai Fook Securities Group Limited. By virtue of the provisions of Part XV of the SFO, each of Tai Fook Finance Company Limited, Tai Fook (BVI) Limited and Tai Fook Securities Group Limited is deemed to be interested in all the shares in which Tai Fook Securities Company Limited is interested. The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.

## **REPORT OF THE DIRECTORS** (Continued)

### **INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SECURITIES AND FUTURES ORDINANCE** (Continued)

4. Visionary Profits Limited, as a result of its agreeing to sub-underwrite the Rights Issue, is directly interested in these 312,520,974 shares. Han Yuanlin is the sole owner of Visionary Profits Limited. By virtue of the provisions of Part XV of the SFO, Han Yuanlin is deemed to be interested in all the shares in which Visionary Profits Limited is interested. The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.
5. Asia Orient Company Limited, as a result of its agreeing to sub-underwrite the Rights Issue, is directly interested in these 300,000,000 shares. Asia Orient Company Limited is a wholly owned subsidiary of Asia Orient Holdings (BVI) Limited which, in turn, is a wholly owned subsidiary of Asia Orient Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Asia Orient Holdings (BVI) Limited and Asia Orient Holdings Limited is deemed to be interested in all the shares in which Asia Orient Company Limited is interested. The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.
6. Young Champion Securities Limited, as a result of its agreeing to sub-underwrite the Rights Issue, is directly interested in these 205,000,000 shares. Young Champion Securities Limited is a wholly owned subsidiary of Gold Wide Securities Limited which, in turn, is a wholly owned subsidiary of Young Champion Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Gold Wide Securities Limited and Young Champion Holdings Limited is deemed to be interested in all the shares in which Young Champion Securities Limited is interested. The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.
7. Mr. Yeung Hoi Sing, Sonny is the sole owner of Young Champion Holdings Limited. By virtue of the provisions of Part XV of the SFO, Mr. Yeung Hoi Sing, Sonny is deemed to be interested in all the shares in which Young Champion Holdings Limited is interested. Mr. Yeung Hoi Sing, Sonny is personally directly interested in 12,500,000 shares. The interest is expressed as a percentage of the share capital of the Company as enlarged by the Rights Issue.

Save 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 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2005.

### **CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS**

The Company had no outstanding convertible bonds, securities, options, warrants or similar rights as at 30 June 2005.



## REPORT OF THE DIRECTORS (Continued)

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, 78% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 59% of the Group's purchases. In addition, 83% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 42% of the Group's turnover.

As at 30 June 2005, to the knowledge of the directors of the Company, none of the directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year ended 30 June 2005, the following directors were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Mr. Lawrence Yu has an indirect interest of approximately 44% in Sun-Tech International Group Limited ("Sun-Tech"). In addition, Mr. Lawrence Yu and Mr. Yu Kam Yuen, Lincoln ("Mr. Lincoln Yu") are interested in approximately 3.89% and 0.28% respectively in the issued share capital of Softbank Investment International (Strategic) Limited ("Softbank") which in turn holds approximately 20.4% indirect interest in Sun-Tech. Mr. Lawrence Yu is an executive director and Mr. Lincoln Yu is a non-executive director of Softbank. Sun-Tech is principally engaged in the provision of computer system integration services which is in competition with those business of the Group.

Save as disclosed above, during the year ended 30 June 2005, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

## **REPORT OF THE DIRECTORS** (Continued)

### **CORPORATE GOVERNANCE**

The Company is dedicated to enhancing and maintaining high corporate governance standards for the benefit of shareholders. In the opinion of the directors, the Company has complied throughout the financial year ended 30 June 2005 with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in force prior to 1 January 2005 save that the non-executive directors of the Company are not appointed for a specific term. Nevertheless, they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Bye-laws.

As regards the newly promulgated Code on Corporate Governance Practices (Appendix 14 of the Listing Rules)(the "CG Code"), the Company has complied with most of the code provisions of the CG Code with certain deviations. The Company is taking the appropriate steps to ensure full compliance with the provisions of the CG Code, details of which will be set out in subsequent interim and annual reports of the Company.

### **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 the directors have complied with the required standard set out in the Model Code for the year ended 30 June 2005.

### **AUDIT COMMITTEE**

The Company's audit committee comprises three independent non-executive directors, namely Mr. Li Fui Lung, Danny, the chairman of the committee, Mr. Ng Hoi Yue, Herman and Hon. Shek Lai Him, Abraham, J.P.. Both Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman are certified public accountants.

The annual results for the year have been reviewed by the Group's external auditors and the audit committee of the Company. The audit committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's audited annual financial statements for the financial year ended 30 June 2005.

## REPORT OF THE DIRECTORS (Continued)

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2005.

### SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 34 to the financial statements.

### AUDITORS

A resolution to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board  
**Yu Kam Kee, Lawrence**  
B.B.S., M.B.E., J.P.  
*Chairman*

Hong Kong, 26 October 2005

## PROFILE OF THE DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. Yu Kam Kee, Lawrence**, B.B.S., M.B.E., J.P., aged 60, was appointed an Executive Director and the Chairman of the Company on 24 August 2004. He has undergone training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations. He is now the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Governor of the Hong Kong Automobile Association, Director of the Hong Kong Football Association and Chairman of the Road Safety Campaign Committee. He is also the chairman of Softbank Investment International (Strategic) Limited and Wing On Travel (Holdings) Limited, shares of both of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lawrence Yu is a brother of Mr. Lincoln Yu, an executive director of the Company.

**Mr. Carl Chang**, aged 49, was appointed an Executive Director and the Chief Executive Officer of the Company on 24 August 2004. He graduated from the University of Hong Kong with a Bachelor of Arts Degree and has over 20 years of extensive media experience in the mass communications and entertainment industries. He has worked in key executive positions in various companies in broadcasting, films production, entertainment and media industries. Currently, he is an independent non-executive director of China Chief Cable TV Group Limited (formerly known as "M21 Technology Limited"), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chang also acts as a director of various subsidiaries of the Company.

**Mr. Yu Kam Yuen, Lincoln**, aged 51, was appointed an Executive Director of the Company on 24 August 2004. He is the holder of a Bachelor of Degree in Economics from the University of Western Ontario, Canada and has undergone training in dyestuffs technology at Bayer AG and Hoechst AG in Germany. He is the President of the Hong Kong Dyestuffs Merchants Association Limited and participates in many charitable organisations. He is also a non-executive director of Softbank Investment International (Strategic) Limited and an independent non-executive director of Innovo Leisure Recreation Holdings Limited, shares of both of which are listed on the Stock Exchange. Mr. Lincoln Yu is a brother of Mr. Lawrence Yu, the chairman and an executive director of the Company.

## PROFILE OF THE DIRECTORS (Continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Li Fui Lung, Danny**, aged 52, was appointed an Independent Non-executive Director and a member of the audit committee of the Company on 23 October 2001. He graduated with a Bachelor of Science Degree from the University of Hong Kong and subsequently obtained postgraduate certificate in accountancy from the University of Stirling in Scotland. He has over 25 years experience in the accounting profession and after qualifying as Chartered Accountant in 1980 with Ernst & Whinney in Scotland, has worked as finance manager, controller and internal auditor in major multinational companies. Upon his appointment with the Company, Mr. Li has been acting as the Chairman of the Company's audit committee. Mr. Li is the sole proprietor of Messrs. Danny Li & Company, a certified public accountants firm in Hong Kong, and has been practising as a certified public accountant in Hong Kong for more than 4 years. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Australia.

**Mr. Ng Hoi Yue, Herman**, aged 41, was appointed an Independent Non-executive Director and a member of the audit committee of the Company on 16 May 2002. Mr. Ng is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practising as a certified public accountant in Hong Kong for more than 16 years. He is also an independent non-executive director of Zida Computer Technologies Limited whose shares are listed on the Stock Exchange.

**Hon. Shek Lai Him, Abraham**, J.P., aged 60, was appointed an Independent Non-executive Director and a member of the audit committee of the Company on 1 October 2005. Mr. Shek is a member of the Legislative Council for the Hong Kong Special Administrative Region representing real estate and construction functional constituency since 2000. He is a graduate of Sydney University, Australia. Mr. Shek served as Chief Executive of Land Development Corporation during the period from 1987 to 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is an independent non-executive director and a member of the audit committee of several companies which are listed on the Stock Exchange, including NWS Holdings Limited (stock code: 659), New World TMT Limited (stock code: 301), Midas International Holdings Limited (stock code: 1172), Paliburg Holdings Limited (stock code: 617), Lifestyle International Holdings Limited (stock code: 1212) and Chuang's Consortium International Limited (stock code: 367). Mr. Shek was appointed as a Justice of the Peace in 1995.

## AUDITORS' REPORT



Chartered Accountants  
Certified Public Accountants

31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

### TO THE SHAREHOLDERS OF SEE CORPORATION LIMITED (FORMERLY KNOWN AS RUILI HOLDINGS LIMITED)

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

## AUDITORS' REPORT (Continued)

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

The corresponding figures in the current year's financial statements are derived from the financial statements for the year ended 30 June 2004 which contained a disclaimer audit opinion. We were unable to carry out audit procedures necessary to obtain adequate assurance on the preceding year's figures. Accordingly, we were unable to express an opinion on the corresponding figures appearing in the current year's financial statements. We have not been able to ascertain whether the corresponding figures will have any effect on the current year's balance sheet and profit and loss account items.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for any adjustments to the 30 June 2004 financial statements and subsequent adjustments to the 30 June 2005 financial statements that might have been found to be necessary, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2005 and of the loss and cash flows of the Group for the year then ended.

In respect alone of the limitation on our work relating to corresponding figures:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

### **HLB Hodgson Impey Cheng**

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 26 October 2005



## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2005

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Turnover	3	<b>59,161</b>	49,555
Cost of sales		<b>(51,029)</b>	(42,805)
Gross profit		<b>8,132</b>	6,750
Other revenue		<b>307</b>	1,851
Distribution costs		<b>(3,879)</b>	(707)
Administrative expenses		<b>(28,038)</b>	(26,658)
Amortisation of film rights		<b>(2,500)</b>	–
Reversal of revaluation decrease on disposal of investment properties		–	6,500
Provision for doubtful debts		<b>(13,036)</b>	(14,646)
Loss from operations	5	<b>(39,014)</b>	(26,910)
Amortisation of goodwill		<b>(946)</b>	(11)
Impairment loss in respect of goodwill		<b>(3,809)</b>	–
Finance costs	6	<b>(980)</b>	(3,847)
Gain on disposal of subsidiaries	29	<b>4</b>	80,034
(Loss)/Profit before taxation		<b>(44,745)</b>	49,266
Taxation	7	–	–
(Loss)/Profit before minority interests		<b>(44,745)</b>	49,266
Minority interests		<b>7,913</b>	–
Net (loss)/profit for the year	8	<b>(36,832)</b>	49,266
Dividends	10	–	–
(Loss)/Earnings per share			
– Basic	9	<b>(9.5) cents</b>	18.9 cents
– Diluted	9	<b>N/A</b>	18.4 cents

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

## CONSOLIDATED BALANCE SHEET

At 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-Current Assets</b>			
Intangible assets	13	2,358	80
Property, plant and equipment	14	26,678	1,368
		<b>29,036</b>	1,448
<b>Current Assets</b>			
Film rights	17	2,500	–
Film and music production in progress	18	14,779	–
Inventories	19	2,699	–
Investment deposits	20	–	16,100
Trade and other receivables	21	14,622	5,670
Cash and bank balances		19,670	1,942
		<b>54,270</b>	23,712
<b>Less: Current Liabilities</b>			
Trade and other payables	22	10,622	4,962
Short-term secured bank borrowings	23	–	1,442
Obligations under finance leases			
due within one year	24	–	208
Convertible bonds	25	–	15,938
Short-term borrowings	26	–	8,560
Tax payable		401	–
		<b>11,023</b>	31,110
<b>Net Current Assets/(Liabilities)</b>		<b>43,247</b>	(7,398)
<b>Total Assets Less Current Liabilities</b>		<b>72,283</b>	(5,950)
<b>Less: Non-Current Liabilities</b>			
Obligations under finance leases			
due after one year	24	–	504
<b>Minority Interests</b>		<b>1,437</b>	–
<b>Net Assets/(Liabilities)</b>		<b>70,846</b>	(6,454)
Financed by:			
<b>Share Capital</b>	27	<b>5,386</b>	106,141
<b>Reserves</b>	28	<b>65,460</b>	(112,595)
<b>Shareholders' Funds/(Deficits)</b>		<b>70,846</b>	(6,454)

Approved by the Board of Directors on 26 October 2005 and signed on its behalf by:

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

**Carl Chang**  
*Executive Director*

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

## BALANCE SHEET

At 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	14	2,465	1,075
Investment in subsidiaries	16	57,379	1
		<b>59,844</b>	1,076
<b>Current Assets</b>			
Other receivables		8,275	614
Cash and bank balances		13,463	61
		<b>21,738</b>	675
<b>Less: Current Liabilities</b>			
Other payables		1,951	2,309
Amounts due to subsidiaries		–	140
Short-term borrowings	26	–	8,560
Obligations under finance leases due within one year	24	–	208
Convertible bonds	25	–	15,938
		<b>1,951</b>	27,155
<b>Net Current Assets/(Liabilities)</b>		<b>19,787</b>	(26,480)
<b>Total Assets Less Current Liabilities</b>		<b>79,631</b>	(25,404)
<b>Less: Non-Current Liabilities</b>			
Obligations under finance leases due after one year	24	–	504
<b>Net Assets/(Liabilities)</b>		<b>79,631</b>	(25,908)
Financed by:			
<b>Share Capital</b>	27	5,386	106,141
<b>Reserves</b>	28	74,245	(132,049)
<b>Shareholders' Funds/(Deficits)</b>		<b>79,631</b>	(25,908)

Approved by the Board of Directors on 26 October 2005 and signed on its behalf by:

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

**Carl Chang**  
Executive Director

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2005

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
<b>Total equity as at 1 July 2004/2003</b>		<b>(6,454)</b>	(59,683)
Issue of shares pursuant to			
– subscription agreements		–	10,000
– exercise of share options	27(a)	<b>500</b>	–
– conversion of convertible bonds	27(b)	<b>8,889</b>	–
– placing of shares	27(e)	<b>90,000</b>	–
– settlement of short-term borrowings	27(f)	<b>9,892</b>	–
Premium arising on issue of shares pursuant to			
– subscription agreements	28	–	6,224
– exercise of share options	28	<b>350</b>	–
– conversion of convertible bonds	28	<b>7,111</b>	–
Share issue expenses on placing of shares	28	<b>(2,610)</b>	–
Release upon disposal of subsidiaries			
– assets revaluation reserve		–	(1,461)
– capital reserve on consolidation		–	(10,800)
Net (loss)/profit for the year		<b>(36,832)</b>	49,266
<b>Total equity as at 30 June 2005/2004</b>		<b>70,846</b>	(6,454)

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

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Cashflows from operating activities</b>			
(Loss)/Profit before taxation and minority interests		<b>(44,745)</b>	49,266
Adjustments for:			
Reversal of revaluation decrease in disposal of investment properties		–	(6,500)
Gain on disposal of other investments		<b>(24)</b>	–
Gain on disposal of subsidiaries		<b>(4)</b>	(80,034)
Impairment loss in respect of goodwill		<b>3,809</b>	–
Interest income		<b>(37)</b>	(24)
Interest expenses		<b>980</b>	3,847
Depreciation		<b>859</b>	749
Amortisation of goodwill		<b>946</b>	11
Amortisation of trademark		<b>20</b>	–
Amortisation of artiste contract rights		<b>3</b>	–
Amortisation of film rights		<b>2,500</b>	–
Provision for doubtful debts		<b>13,036</b>	14,646
Loss on disposal of property, plant and equipment		<b>321</b>	–
Provision for obsolete inventories		–	7,444
Operating loss before working capital changes		<b>(22,336)</b>	(10,595)
Increase in film rights		<b>(5,000)</b>	–
Increase in film and music production in progress		<b>(14,779)</b>	–
Increase in inventories		–	(7,444)
Decrease/(Increase) in trade and other receivables		<b>9,598</b>	(19,742)
Increase in trade and other payables		<b>8,493</b>	3,498
Net cash used in operations		<b>(24,024)</b>	(34,283)
<b>Cashflows from investing activities</b>			
Interest income received		<b>37</b>	24
Payments for trademark and artiste contract rights		<b>(1,289)</b>	–
Purchase of other investments		<b>(4,511)</b>	–
Proceeds from disposal of other investments		<b>4,535</b>	–
Purchase of property, plant and equipment		<b>(24,618)</b>	(507)
Proceeds from disposal of investment property		–	34,500
Proceeds from disposal of property, plant and equipment		<b>14</b>	–
Payment of investment deposits		–	(16,100)
Cash effect on acquisition of subsidiaries	30	<b>(16,127)</b>	–
Cash effect on disposal of subsidiaries (net of cash and cash equivalents disposed of)	29	–	(2,193)
Net cash (used in)/generated from investing activities		<b>(41,959)</b>	15,724

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 30 June 2005

	2005 HK\$'000	2004 HK\$'000
<b>Cashflows from financing activities</b>		
Proceeds from issue of shares	90,850	16,300
Proceeds from issue of convertible bonds	–	16,000
(Decrease)/Increase in short-term borrowings	(4,717)	8,560
Repayment to a shareholder	–	(3,136)
Repayment of convertible bonds	–	(15,602)
Net decrease in secured short-term loan	–	(1,761)
Net (decrease)/increase in trust receipts and import loans	(1,442)	1,442
Issue costs of shares	–	(76)
Issue costs of convertible bonds	–	(129)
Repayment of obligations under finance leases	–	(193)
Interest expenses paid	(980)	(3,485)
Interest on obligations under finance leases	–	(58)
Net cash generated from financing activities	83,711	17,862
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,728</b>	<b>(697)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,942</b>	<b>2,639</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19,670</b>	<b>1,942</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	19,670	1,942

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

## NOTES TO FINANCIAL STATEMENTS

For the year ended 30 June 2005

### 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities and other particulars of the Company's significant subsidiaries are set out in note 16 to the financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

#### (a) Basis of Preparation

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(c) Subsidiaries**

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

**(d) Goodwill/Negative Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition.

In accordance with SSAP 30, goodwill arising on acquisitions occurring on or after 1 July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 to 10 years.

Goodwill on acquisition that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill will be accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Goodwill/Negative Goodwill (Continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 July 2001 acquisitions, the related goodwill written off against reserve to the extent it has not previously been realised in the income statement.

#### (e) Property, Plant and Equipment

Property, plant and equipment, other than leasehold properties, are stated at cost less accumulated depreciation and accumulated impairment losses at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put in to operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Leasehold properties are stated in the balance sheet at their revalued amounts, being the fair values on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of leasehold properties is credited to the asset revaluation reserves, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged so as to write off the valuation of leasehold properties over their estimated useful lives, using the straight-line basis, at the following annual rates:

Leasehold land	: Term of lease
Buildings	: Over 40 years or term of lease, whichever is shorter

Depreciation is charged so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line basis, at the rate of 20% per annum.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(e) Property, Plant and Equipment** (Continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

**(f) Investment Properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuation is released to the income statement.

**(g) Film Rights**

Film rights represent films and television drama series produced or acquired by the Group for reproduction, distribution and sub-licensing, are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The amortisation of film rights will not exceed twenty years.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Films and Music Production in Progress

Films and music production in progress represent films, televisions drama series and music products under production, are stated at cost incurred to date, less any identified impairment loss. Cost is transferred to film and music production rights upon completion.

#### (i) Artiste Contract Rights

Artiste contract rights are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement over the contract term.

#### (j) Trademark

Trademark is stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement over the contract terms.

#### (k) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Sales of goods are recognised when goods are delivered and title has passed.
- (ii) Revenue from provision of telecommunication and system integration services are recognised when services performed.
- (iii) Revenue from distribution of films is recognised when the video products or master materials of films are delivered to customers and the title has passed.
- (iv) Revenue from provision of model and artiste services are recognised when services performed.
- (v) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (vi) Rental income, including rentals invoices in advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

#### (l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all costs to completion and costs to make the sale.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(m) Current Assets and Current Liabilities**

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

**(n) Foreign Currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expenses items are translated at the average rates for the period. The resulting translation differences are dealt with in the exchange reserve.

**(o) Leases**

Leases are classified as finance leases whenever the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charge to income statement on a straight-line basis over the term of the relevant lease.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (p) Convertible Bonds

Convertible bonds are stated at the aggregate of the net proceeds from the issue.

The net proceeds represent the amount received on the issue of the convertible bonds after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight-line basis over the period from the date of issue to their final redemption date. If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, any remaining unamortised issue costs attributable to the convertible bonds purchased, redeemed or converted will be written off immediately to the income statement.

#### (q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(r) Impairment of Assets**

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (excluding inventories, investment properties and financial assets other than interest in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

*i. Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

*ii. Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

**(s) Provisions**

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.



## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (t) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

#### (u) Employee Benefits

- (i) Salaries, annual bonuses, paid annual leaves, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expenses in the consolidated income statement as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(v) Cash Equivalents**

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

**(w) Related Parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

**(x) Related Party Transactions**

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**(y) Segment Reporting**

A segment is a distinguishable component of the Group that is either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial and reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 3. TURNOVER

Turnover represents revenue from the manufacture and sale of multimedia electronic products, toys, games and trading of telecommunication components and provision of system integration services. During the year ended 30 June 2005, the Group also engaged in the investment in film rights and provision of model and artiste services. The amounts of each significant category of revenue recognised during the year are as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Continuing operations:		
Manufacture and sale of		
– Multimedia electronic products	<b>53,281</b>	22,128
– Toys and games products	–	4,552
Trading of telecommunication products and provision of system integration service income	<b>3,178</b>	21,587
Investment return from film rights	<b>2,370</b>	–
Model and artiste service income	<b>332</b>	–
Others	–	1,288
	<b>59,161</b>	49,555

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 4. SEGMENT INFORMATION

#### (a) Business Segments

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

The following table present revenue, results, certain assets, liabilities and expenditure information for the Group's business segments:

	Multimedia		Toys and		Telecommunication/ system		Entertainment		Others		Consolidated	
	electronic products		games products		integration							
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	53,281	22,128	-	4,552	3,178	21,587	2,702	-	-	1,288	59,161	49,555
Segment results	5,054	3,737	-	438	444	2,298	2,634	-	-	277	8,132	6,750
Interest income and unallocated gains											307	1,851
Unallocated corporate expenses											(31,917)	(27,365)
Amortisation of film rights											(2,500)	-
Reversal of revaluation decrease on disposal of investment properties											-	6,500
Provision for doubtful debts											(13,036)	(14,646)
Loss from operations											(39,014)	(26,910)
Amortisation of goodwill											(946)	(11)
Impairment loss in respect of goodwill											(3,809)	-
Finance costs											(980)	(3,847)
Gain on disposal of subsidiaries											4	80,034
(Loss)/profit before taxation											(44,745)	49,266
Taxation											-	-
(Loss)/profit before minority interests											(44,745)	49,266
Minority interests											7,913	-
Net (loss)/profit for the year											(36,832)	49,266
Segment assets	1,628	6,255	-	695	7,318	3	22,709	-	51,651	18,207	83,306	25,160
Segment liabilities	3,533	3,953	-	106	4,082	8	1,433	-	1,975	27,547	11,023	31,614
Other segment information:												
Capital expenditures	37	313	-	23	99	-	22	-	24,460	171	24,618	507
Depreciation	68	281	-	-	526	-	1	-	264	468	859	749

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 4. 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 and liabilities are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets and liabilities based on the geographical segments has not been disclosed.

The following table presents revenue for the Group's geographical segments:

	North America		Europe		Japan		Hong Kong		China		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,443	5,762	5,490	4,129	21	377	29,284	14,556	20,757	24,457	166	274	59,161	49,555

No information was available for the geographical segment results.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 5. LOSS FROM OPERATIONS

	2005	2004
	HK\$'000	HK\$'000
Loss from operations is stated after charging:		
Auditors' remuneration	380	280
Amortisation of trademark	20	–
Amortisation of artiste contract rights	3	–
Amortisation of film rights	2,500	–
Depreciation		
– Owned assets	859	651
– Assets held under finance leases	–	98
Operating leases in respect of land and buildings	1,316	960
Cost of inventories	51,029	42,805
Staff costs		
– Retirement benefit scheme contributions	177	161
– Other staff costs, including directors' emoluments	6,347	7,212
Provision for obsolete inventories	–	7,444

and after crediting:

Reversal of revaluation decrease		
on disposal of investment properties	–	6,500
Interest income	37	24
Rental income	–	1,299
Gain on disposal of other investments	24	–

### 6. FINANCE COSTS

	2005	2004
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable		
– within five years	217	937
Discount bills	31	–
Short-term borrowings	244	1,432
Convertible bonds	426	1,353
Obligations under finance leases	–	58
Amortisation of issue costs of convertible bonds	62	67
	980	3,847

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 7. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries incurred taxation loss for the year (2004: 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 statements.

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

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2005		2004	
	HK\$'000	%	HK\$'000	%
(Loss)/Profit before taxation	<b>(44,745)</b>		49,266	
Tax at domestic income tax rate	<b>(7,830)</b>	<b>17.5</b>	8,622	17.5
Tax effect of income that is not taxable in determining taxable profit	<b>(1)</b>	–	(14,478)	(29.3)
Tax effect of expenses that are not deductible in determining taxable profit	<b>579</b>	<b>(1.3)</b>	5,535	11.2
Tax effect of unrecognised temporary differences	<b>(221)</b>	<b>0.5</b>	257	0.5
Tax effect of tax losses in prior year utilised this year	–	–	(825)	(1.7)
Tax effect of unrecognised tax losses	<b>7,473</b>	<b>(16.7)</b>	889	1.8
Taxation charge for the year	–	–	–	–

Tax payable amounted to approximately HK\$401,000 stated in the consolidated balance sheet represents the value added tax arising from the PRC operation which included in the cost of sales in the consolidated income statement.

### 8. NET (LOSS)/PROFIT FOR THE YEAR

Of the Group's net loss for the year of HK\$36,832,000 (2004: a profit of HK\$49,266,000), HK\$8,593,000 (2004: a loss of HK\$15,783,000) has been dealt with in the financial statements of the Company.



## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per ordinary share is based on the following data:

	2005 HK\$'000	2004 HK\$'000
(Loss)/Earnings for calculation of basic (loss)/earnings per ordinary share (net (loss)/profit attributable to ordinary shareholders)	<b>(36,832)</b>	49,266
Effect of dilutive potential ordinary shares – interest on convertible bonds	–	773
(Loss)/Earnings for calculation of diluted (loss)/earnings per ordinary share	<b>(36,832)</b>	50,039
	<b>Number of shares '000</b>	Number of shares '000
Weighted average number of shares used in calculating basic (loss)/earnings per share	<b>388,118</b>	260,599
Effect of dilutive potential ordinary shares – convertible bonds	–	11,597
Weighted average number of shares used in calculating diluted (loss)/earnings per ordinary share	<b>388,118</b>	272,196

The weighted average number of ordinary shares for the year ended 30 June 2004 for the purpose of basic and diluted earnings per share has been adjusted for the share consolidation which was approved by the shareholders effect on 17 December 2004.

### 10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2005 (2004: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' Emoluments

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Group	Provident	Total HK\$'000
			Housing Allowances HK\$'000	Fund Contributions HK\$'000	
2005:					
Executive directors					
Mr. Carl Chang	–	1,520	400	15	1,935
Mr. Yu Kam Yuen, Lincoln	83	–	–	–	83
Mr. Wu Jiahong	110	–	–	–	110
Mr. Liao Chongde	791	–	216	–	1,007
Independent non-executive directors					
Mr. Li Fui Lung, Danny	100	–	–	–	100
Mr. Ng Hoi Yue, Herman	100	–	–	–	100
Mr. John Paul McLellan	75	–	–	–	75
	<b>1,259</b>	<b>1,520</b>	<b>616</b>	<b>15</b>	<b>3,410</b>
2004:					
Executive directors					
Mr. Wu Jiahong	–	698	193	12	903
Mr. Liao Chongde	–	465	132	10	607
Mr. Zhang Yiwei	–	391	141	6	538
Mr. Lee Kwok Leung, Alan	120	–	–	–	120
Independent non-executive directors					
Mr. Li Fui Lung, Danny	100	–	–	–	100
Mr. Ng Hoi Yue, Herman	100	–	–	–	100
	<b>320</b>	<b>1,554</b>	<b>466</b>	<b>28</b>	<b>2,368</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (a) Directors' Emoluments (Continued)

During the year, no share options (2004: Nil) were granted to directors under the Company's share option scheme. The details of these benefits in kind are disclosed under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures" in Report of the Directors. In the absence of a readily available market value for an accurate assessment of the value of these share options, accordingly, no value has been included in the emoluments of the directors in respect thereof.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

#### (b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2004: three) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining three (2004: two) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	773	924

The emoluments of the non-director individuals fell within the following bands:

	2005 Number of employees	2004
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	-	-
	3	2

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 12. EMPLOYEE BENEFITS

#### Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC.

#### Equity Compensation Benefits

##### *Share Options*

The Company has adopted a share option scheme ("Share Option Scheme") on 23 November 2001 under which the directors may grant options to employees, including any directors of the Company, its subsidiaries or any entity in which any member of the Group holds an equity interest to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 30% of the issued share capital of the Company from time to time. The amount paid on acceptance of an option was HK\$1. An option may be exercised at any time before the expiration of ten years from the date of grant of the option. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1% of the shares of the Company in issue from time to time. As at the date of this report, a total of 215,422,444 shares of the Company (representing 10% of the existing issued share capital of the Company) are available for issue under the Share Option Scheme. The Share Option Scheme will expire on 23 November 2011.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 12. EMPLOYEE BENEFITS (Continued)

#### Equity Compensation Benefits (Continued)

Details of the movement of share options during the year ended 30 June 2005 under the Share Option Scheme were as follows:

Exercisable on or after	Exercise price HK\$	Number of share options		
		Outstanding as at 1 July 2004	Exercised during year	Outstanding as at 30 June 2005
20 February 2003	0.017	50,000,000	(50,000,000)	–

### 13. INTANGIBLE ASSETS

#### Group

	Trademark HK\$'000	Artiste contract rights HK\$'000	Goodwill HK\$'000	Total HK\$'000
Cost:				
At 1 July 2004	–	–	107	107
Additions	1,169	120	5,767	7,056
<b>At 30 June 2005</b>	<b>1,169</b>	<b>120</b>	<b>5,874</b>	<b>7,163</b>
Accumulated amortisation and impairment:				
At 1 July 2004	–	–	27	27
Provided for the year	20	3	946	969
Impairment loss	–	–	3,809	3,809
<b>At 30 June 2005</b>	<b>20</b>	<b>3</b>	<b>4,782</b>	<b>4,805</b>
Net book value:				
<b>At 30 June 2005</b>	<b>1,149</b>	<b>117</b>	<b>1,092</b>	<b>2,358</b>
At 30 June 2004	–	–	80	80

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 14. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Tools and moulds	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:						
At 1 July 2004	–	30	288	258	1,090	1,666
Acquisition of subsidiaries	–	–	3,157	–	–	3,157
Additions	21,879	1,805	934	–	–	24,618
Disposals	–	(30)	(201)	–	(1,090)	(1,321)
<b>At 30 June 2005</b>	<b>21,879</b>	<b>1,805</b>	<b>4,178</b>	<b>258</b>	<b>–</b>	<b>28,120</b>
Accumulated depreciation:						
At 1 July 2004	–	7	71	13	207	298
Charge for the year	119	90	598	52	–	859
Acquisition of subsidiaries	–	–	559	–	–	559
Written back on disposals	–	(7)	(60)	–	(207)	(274)
<b>At 30 June 2005</b>	<b>119</b>	<b>90</b>	<b>1,168</b>	<b>65</b>	<b>–</b>	<b>1,442</b>
Net book value:						
<b>At 30 June 2005</b>	<b>21,760</b>	<b>1,715</b>	<b>3,010</b>	<b>193</b>	<b>–</b>	<b>26,678</b>
At 30 June 2004	–	23	217	245	883	1,368
The net book value of certain of the above assets held under finance leases are analysed as follows:						
<b>At 30 June 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
At 30 June 2004	–	–	–	–	883	883

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Company

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At 1 July 2004	30	233	1,090	1,353
Additions	1,805	777	–	2,582
Disposals	(30)	(201)	(1,090)	(1,321)
<b>At 30 June 2005</b>	<b>1,805</b>	<b>809</b>	<b>–</b>	<b>2,614</b>
Accumulated depreciation:				
At 1 July 2004	7	64	207	278
Charge for the year	90	55	–	145
Written back on disposals	(7)	(60)	(207)	(274)
<b>At 30 June 2005</b>	<b>90</b>	<b>59</b>	<b>–</b>	<b>149</b>
Net book value:				
<b>At 30 June 2005</b>	<b>1,715</b>	<b>750</b>	<b>–</b>	<b>2,465</b>
At 30 June 2004	23	169	883	1,075

The net book value of property, plant and equipment includes an amount of approximately HK\$Nil (2004: HK\$883,000) in respect of assets held under financial leases.

### 15. INVESTMENT PROPERTIES

	Group 2005	2004
	HK\$'000	HK\$'000
Valuation:		
At 1 July 2004/2003	–	28,000
Disposal	–	(28,000)
<b>At 30 June 2005/2004</b>	<b>–</b>	<b>–</b>

On 12 March 2004, the investment property has been sold at a consideration of HK\$34,500,000.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 16. INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>1</b>	1
Net amounts due from subsidiaries, less provision	<b>57,378</b>	–
	<b>57,379</b>	1

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of the significant subsidiaries at 30 June 2005:

Name of subsidiary	Place of incorporation/ operation	Issued capital/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Anyone Holdings Limited	British Virgin Islands ("BVI")	1 share of US\$1	100%	–	Property holding
Cross Challenge Limited	BVI	1 share of US\$1	100%	–	Investment holding
Day Achieve Limited	BVI	1 share of US\$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	1 share of HK\$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	BVI	1 share of US\$1	100%	–	Investment holding
Great Central Trading Limited	BVI	1 share of US\$1	100%	–	Investment holding
Joybase Investments Limited <i>Note (iii)</i>	BVI	1 share of US\$1	–	70%	Entertainment and provision of artiste management services
Look Models Hong Kong Limited	Hong Kong	500,000 shares of HK\$1 each	–	100%	Provision of model agency services



## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 16. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Media Platform Limited	BVI	1 share of US\$1	100%	–	Investment holding
Ruian Technology Company Limited	Hong Kong	2 shares of HK\$1 each	–	100%	Trading in multimedia electronic products
See Corporation Limited <i>Note (iv)</i>	Hong Kong	1 share of HK\$1	–	100%	Dormant
See Entertainment Limited	Hong Kong	1 share of HK\$1	–	100%	Investment in film production and provision of concert management services
See Movie Limited	Hong Kong	1 share of HK\$1	–	100%	Distribution of motion pictures and television drama series
See Music Limited	Hong Kong	1 share of HK\$1	–	100%	Production of music video and provision of promotion services
See People Limited	Hong Kong	1 share of HK\$1	–	100%	Provision of artiste management services
深圳銀河通信息技術 有限公司 <i>Note (v)</i>	People's Republic of China	RMB20,000,000	–	55%	Provision of telecommunication and system integration services
Shineidea Limited	BVI	1 share of US\$1	100%	–	Investment in securities

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 16. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Talent Bang Limited	Hong Kong	100 shares of HK\$1 each	–	100%	Provision of model agency services
Transfer Networks Limited	BVI	1 share of US\$1	100%	–	Investment holding
Wise Novel Investments Limited	BVI	1 share of US\$1	100%	–	Investment holding

Notes:

- (i) All are ordinary share capital unless otherwise stated.
- (ii) Investment in Future Wealth Investments Limited was disposed of at a consideration of US\$1 on 16 August 2004.
- (iii) Name changed to Snazz Entertainment Group Limited on 29 August 2005.
- (iv) Name changed to Seethru Limited on 8 October 2005.
- (v) Sino-foreign equity joint venture.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 17. FILM RIGHTS

	Group HK\$'000
Cost:	
Additions and at 30 June 2005	5,000
Accumulated amortisation:	
Provided for the year and at 30 June 2005	2,500
<b>Carrying amount:</b>	
At 30 June 2005	2,500

### 18. FILM AND MUSIC PRODUCTION IN PROGRESS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Film production in progress	12,903	–
Music production in progress	1,876	–
	14,779	–

### 19. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Finished goods	12,316	8,268
Less: Provision for obsolete inventories	(9,617)	(8,268)
	2,699	–

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 20. INVESTMENT DEPOSITS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Deposit for acquisition of a subsidiary ( <i>Note</i> )	–	16,100

*Note:* On 10 September 2003, Transfer Networks Limited (“TNL”), a wholly owned subsidiary of the Company, entered into a conditional Investment Agreement (the “Investment Agreement”) with the shareholders of 深圳銀河通信息技術有限公司 (“SRT”), inter alia, to invest RMB17,000,000 (approximately HK\$16,100,000) in registered share capital of SRT.

As some of the conditions of the Investment Agreement cannot be fulfilled within 45 days from the Investment Agreement, parties to the Investment Agreement agreed on two occasions to extend the completion date to 31 July 2004. On 21 July 2004, all of the conditions were fulfilled and the Investment Agreement was completed. As such, the amount injected was treated as the acquisition cost for 55% of equity interest in SRT as at the year end date, 30 June 2005.

### 21. TRADE AND OTHER RECEIVABLES

At 30 June 2005, the balances of trade and other receivables included trade receivables of approximately HK\$4,750,000 (2004: HK\$2,440,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
0–90 days	4,077	1,373
91 days or above	673	1,067
	4,750	2,440

The Group allows an average credit period of 90–180 days (2004: 90–180 days) to its trade customers.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 22. TRADE AND OTHER PAYABLES

At 30 June 2005, the balances of trade and other payables included trade payables of approximately HK\$4,731,000 (2004: HK\$2,181,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
0-90 days	3,887	1,598
91 days or above	844	583
	4,731	2,181

### 23. SHORT-TERM SECURED BANK BORROWINGS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trust receipts and import loans	–	1,442

### 24. OBLIGATIONS UNDER FINANCE LEASES

#### Group and Company

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	–	250	–	208
In the second to fifth year inclusive	–	542	–	504
Less: Future finance charges	–	792	–	712
	–	(80)	–	–
Present value of obligations under finance leases	–	712	–	712
Less: Amount due within one year shown under current liabilities			–	(208)
Amount due after one year			–	504

The average lease term is five years. All leases are on fixed repayment basis and no arrangement have been entered into for contingent rental payments.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 25. CONVERTIBLE BONDS

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
Principal amount		
At the beginning of year	16,000	15,602
Redemption during the year	–	(15,602)
Conversion during the year	(16,000)	–
Issue during the year	–	16,000
At the end of year	–	16,000
Less: Issue costs		
At the beginning of year	62	–
Incurred during the year	–	129
Amortisation during the year including amounts written back upon conversion	(62)	(67)
At the end of year	–	62
Carrying value at 30 June	–	15,938

The HK\$16,000,000 8% convertible bonds (the "Bonds") were issued on 23 December 2003 with a maturity date of 22 December 2004. On 29 November 2004, the Company received notice from the holders of the Bonds. 888,888,888 ordinary shares were duly issued and allotted at the conversion price of HK\$0.018 per share in accordance with the terms of the Bonds. The consideration received by the Company for the issue of the 888,888,888 shares amounted to HK\$16,000,000.

### 26. SHORT-TERM BORROWINGS

#### Group and Company

Short-term borrowings of HK\$8,560,000 is unsecured, chargeable with interest at 10% p.a. and fully repaid on 7 February 2005 by issuing 21,732,430 shares at HK\$0.40 each in settlement of the loan.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 27. SHARE CAPITAL

	<i>Note</i>	<b>Number of shares</b>	<b>Nominal value</b> HK\$'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each at 1 July 2004		20,000,000,000	200,000
Share consolidation	(c)	(19,500,000,000)	–
		500,000,000	200,000
Increase in authorised share capital	(d)	750,000,000	300,000
		1,250,000,000	500,000
Capital reorganisation			
– Cancellation of unissued shares	(g)(ii)	(711,443,889)	(284,578)
– Capital reduction	(g)(i)	–	(210,036)
– Increase in authorised share capital	(g)(ii)	49,461,443,889	494,614
Ordinary shares of HK\$0.01 each at 30 June 2005		50,000,000,000	500,000

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 27. SHARE CAPITAL (Continued)

	<i>Note</i>	<b>Number of shares</b>	<b>Nominal value</b> HK\$'000
<i>Issued:</i>			
Ordinary shares of HK\$0.01 each at 1 July 2003		9,614,124,132	96,141
Issue of shares pursuant to – Subscription agreements		1,000,000,000	10,000
Ordinary shares of HK\$0.01 each at 30 June 2004 and 1 July 2004		10,614,124,132	106,141
Exercise of share options	<i>(a)</i>	50,000,000	500
Conversion of convertible bonds	<i>(b)</i>	888,888,888	8,889
Share consolidation	<i>(c)</i>	(11,264,187,695)	–
Placing of shares	<i>(e)</i>	225,000,000	90,000
Settlement of short-term borrowings	<i>(f)</i>	24,730,786	9,892
Capital reduction	<i>(g)(i)</i>	–	(210,036)
Ordinary shares of HK\$0.01 each at 30 June 2005		538,556,111	5,386

All new shares rank pari passu in all respects with the existing shares in issue.



**27. SHARE CAPITAL** (Continued)*Notes:*

The following movements in the Company's authorised and issued share capital took place during the year ended 30 June 2005:

- (a) On 29 November 2004, the Company received notice from a holder of the share options to fully exercise rights attached to the 50,000,000 share options granted under the Share Option Scheme. A total of 50,000,000 ordinary shares of HK\$0.01 each were duly issued and allotted at the exercise price of HK\$0.017 per share in accordance with the rules of the Share Option Scheme. The consideration received by the Company for the issue of the 50,000,000 shares amounted to HK\$850,000.
- (b) On 29 November 2004, the Company received notice from the holders of the Bonds. 888,888,888 ordinary shares were duly issued and allotted at the conversion price of HK\$0.018 per share in accordance with the terms of the Bonds. The consideration received by the Company for the issue of the 888,888,888 shares amounted to HK\$16,000,000.
- (c) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 17 December 2004, every forty issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one share of HK\$0.40 each.
- (d) On 20 December 2004, the authorised share capital was increased from HK\$200,000,000 to HK\$500,000,000 by the creation of 750,000,000 new consolidated shares of HK\$0.40 each.
- (e) On 21 January 2005, 225,000,000 new consolidated shares of par value of HK\$0.40 each were issued by the Company through placement to independent third parties at par value pursuant to a placing agreement entered into between the Company and Tai Fook Securities Company Limited as the placing agent on 12 November 2004. The consideration received by the Company for the issue of the 225,000,000 shares amounted to HK\$90,000,000.
- (f) On 7 February 2005, the Company entered into settlement agreements with Ms. Tsim Shui Ting ("Ms. Tsim") and Asano (Pte) Ltd. ("APL"), pursuant to which the Company agreed to allot and issue 21,732,430 shares and 2,998,356 shares, all credited as fully paid, at HK\$0.40 each to Ms. Tsim and APL respectively in settlement of the loans owed to them. Such shares were issued on 9 March 2005. The consideration received by the Company for the issue of the 24,730,786 shares amounted to HK\$9,892,314.
- (g) At a special general meeting held on 27 June 2005, a capital reorganisation which involves, inter alia, (i) a reduction of the nominal value of each of the 538,556,111 issued shares from HK\$0.40 to HK\$0.01 by cancelling the Company's paid up capital to the extent of HK\$0.39 on each issued share and (ii) the cancellation of all of the authorised but unissued 711,443,889 shares with the subsequent increase of the authorised share capital to HK\$500,000,000 of HK\$0.01 each by the creation of 49,461,443,889 shares of HK\$0.01 each was approved by the shareholders of the Company.

**Share Options**

The Company operates a share option scheme, further details of which are set out under the heading "Equity Compensation Benefits" in note 12 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 28. RESERVES

#### Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
At 1 July 2003	109,448	–	1,461	10,800	(277,533)	(155,824)
Premium arising on issue of shares pursuant to subscription agreements	6,224	–	–	–	–	6,224
Release upon disposal of subsidiaries	–	–	(1,461)	(10,800)	–	(12,261)
Net profit for the year	–	–	–	–	49,266	49,266
<b>At 30 June 2004</b>	<b>115,672</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(228,267)</b>	<b>(112,595)</b>
At 1 July 2004	115,672	–	–	–	(228,267)	(112,595)
Premium arising on issue of shares pursuant to exercise of share options	350	–	–	–	–	350
Premium arising on issue of shares pursuant to conversion of convertible bonds	7,111	–	–	–	–	7,111
Share issue expenses on placing of shares	(2,610)	–	–	–	–	(2,610)
Capital reduction	–	210,036	–	–	–	210,036
Amount transferred to write off accumulated deficits	–	(210,036)	–	–	210,036	–
Net loss for the year	–	–	–	–	(36,832)	(36,832)
<b>At 30 June 2005</b>	<b>120,523</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(55,063)</b>	<b>65,460</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 28. RESERVES (Continued)

#### Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
At 1 July 2003	109,448	13,508	(231,938)	(108,982)
Premium arising on issue of shares pursuant to subscription agreements	6,224	–	–	6,224
Release upon disposal of subsidiaries	–	(13,508)	–	(13,508)
Net loss for the year	–	–	(15,783)	(15,783)
<b>At 30 June 2004</b>	<b>115,672</b>	<b>–</b>	<b>(247,721)</b>	<b>(132,049)</b>
At 1 July 2004	115,672	–	(247,721)	(132,049)
Premium arising on issue of shares pursuant to exercise of share options	350	–	–	350
Premium arising on issue of shares pursuant to conversion of convertible bonds	7,111	–	–	7,111
Share issue expenses on placing of shares	(2,610)	–	–	(2,610)
Capital reduction	–	210,036	–	210,036
Amount transferred to write off accumulated deficits	–	(210,036)	210,036	–
Net loss for the year	–	–	(8,593)	(8,593)
<b>At 30 June 2005</b>	<b>120,523</b>	<b>–</b>	<b>(46,278)</b>	<b>74,245</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 28. RESERVES (Continued)

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The contributed surplus represents the difference between the consolidated shareholders' funds of WILL group at the date on which its shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

During the year ended 30 June 2004, the entire of equity interest of WILL Group has been disposed. Accordingly, the contribution surplus brought forward was released upon the completion of disposal.

Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 27 June 2005, a capital reorganisation which involves (i) a reduction of the nominal value of each of the 538,556,111 issued shares from HK\$0.40 to HK\$0.01 by cancelling the Company's paid up capital to the extent of HK\$0.39 on each issued share by standing credit of the Company's contributed surplus accounts, and (ii) transferring the amount to write off the accumulated deficits.

In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at 30 June 2005 and 30 June 2004.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 29. DISPOSAL OF SUBSIDIARIES

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	40,518
Inventories	–	26,751
Trade and other receivables	<b>1,003</b>	22,682
Cash and bank balances	<b>1</b>	2,598
Pledged bank deposit	–	8,997
Trade and other payables	<b>(8)</b>	(96,390)
Amount due to a related company	–	(38,301)
Secured short term bank borrowing	–	(16,593)
Obligation under finance leases – due within one year	–	(993)
Other secured borrowings	–	(14,378)
Amount due to the Group	<b>(1,042)</b>	(145,069)
Net liabilities	<b>(46)</b>	(210,178)
Asset revaluation reserve released on disposal	–	(1,461)
Capital reserve on consolidation released on disposal	–	(10,800)
Amount due to the Group written off on disposal	<b>42</b>	142,810
Gain on disposal of subsidiaries	<b>4</b>	80,034
	–	405
Satisfied by:		
Cash consideration received	<b>1</b>	405
Net cash outflow in respect of the disposal of a subsidiary:		
Cash consideration received	<b>1</b>	405
Cash and bank balances disposed of	<b>(1)</b>	(2,598)
	–	(2,193)

The subsidiary disposed of during the year does not have material effect on the Group's operating cash flow, turnover and operating loss for the year ended 30 June 2005.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 30. ACQUISITION OF SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Property, plant and equipment	2,598	–
Inventories	2,699	–
Trade and other receivables	21,151	–
Cash and bank balances	973	–
Trade and other payables	(1,905)	–
Tax payable	(118)	–
Secured short term bank borrowing	(4,717)	–
Minority interest	(9,348)	–
Net assets	11,333	–
Goodwill arising on acquisition	5,767	–
Total purchase price	17,100	–
Satisfied by:		
Cash consideration paid	17,100	–
Net cash outflow in respect of the acquisition of subsidiaries:		
Cash consideration paid	17,100	–
Cash and bank balances acquired	(973)	–
	16,127	–

The subsidiaries acquired during the year contributed approximately HK\$3,281,000 to the Group's turnover and loss after taxation and minority interests of approximately HK\$9,670,000 to the Group for the year.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 31. OPERATING LEASES COMMITMENTS

As at 30 June 2005, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	255	719
In the second to fifth year inclusive	100	180
	<b>355</b>	899

Operating lease payments represent rentals payable by the Group for certain of its office property and staff quarters. Leases and rentals were negotiated and fixed for an average term of two years (2004: two years).

### 32. CAPITAL COMMITMENTS

At 30 June 2005, the Group had the following commitments which were not provided for in the consolidated balance sheet:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Authorised and contracted for in respect of capital contribution in film production in progress	4,884	–
Authorised and contracted for in respect of a music production in progress	1,400	–
	<b>6,284</b>	–

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended 30 June 2005

### 33. CONTINGENT LIABILITIES

- (i) As at 30 June 2005, the Company provided corporate guarantees amounting to approximately HK\$24 million to a financial institution in respect of banking facilities granted to WIIL group, approximately HK\$5.5 million of which was utilized by members of the WIIL group and such amount was subject to action by the financial institution as disclosed in point (iii) below.
- (ii) The Company and its former 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 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 for the said sum of HK\$18 million as well as other damages in the said proceedings. At this time, the action is in a standstill and thus it is not possible to predict the outcome with reasonable certainty.
- (iii) On 13 October 2003, a Writ of Summons and Statement of Claim was made by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of a former subsidiary, Welback Enterprise Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,934,000) together with interest and costs. BII Finance made an application for summary judgment against the Company on 25 February 2004. This application was dismissed on 15 July 2005. The Company was successful in defending BII Finance's application for summary judgment and was granted unconditional leave to defend the action by the Court. The Company has also issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking where necessary a contribution to the extent of 49% of BII Finance's claim. The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. The parties in the main action are currently in the process of discovery.

The Company is considering the merits of these claims and regards some of these claims as groundless. Nonetheless, the Company is currently seeking financial and legal advice on the effect on the Company of these matters and on what further actions are appropriate.



**34. SUBSEQUENT EVENTS**

- (i) On 21 April 2005, the Company proposed to raise approximately HK\$161.6 million before expenses by way of 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 on the record date. The rights issue was approved by the shareholders at the special general meeting held on 27 June 2005 and completed on 22 July 2005.
- (ii) On 21 April 2005, the Company has entered into convertible notes subscription agreement with Hanny Holdings Limited ("Hanny") which Hanny will subscribe for and the Company will issue to Hanny the convertible notes in the principal amount of HK\$170 million for a total cash consideration of HK\$170 million. The convertible notes subscription was approved by the shareholders at the special general meeting held on 27 June 2005 and completed on 10 August 2005.
- (iii) On 21 April 2005, pursuant to the convertible notes placing agreement, Tai Fook Securities Company Limited ("Tai Fook") will procure placees, on a best effort basis, to subscribe in cash for the convertible notes up to the principal amount of HK\$130 million. On the assumption that all the HK\$130 million convertible notes are successfully placed by Tai Fook, the net proceeds raised from the convertible notes placing is approximately HK\$126.5 million. The convertible note placing was approved by the shareholders at the special general meeting held on 27 June 2005. The Company has agreed with Tai Fook to further extend the time for completion of the convertible notes placing to 31 October 2005.
- (iv) On 21 April 2005, a sales and purchase agreement was entered between Enjoy Profits Limited, a wholly owned subsidiary of the Group and TVB Satellite TV Holdings Limited to acquire 49% equity interest in Galaxy Satellite TV Holdings Limited with consideration of HK\$336,274,510 ("Proposed Acquisition"). The Proposed Acquisition has been agreed by shareholders at the special general meeting held on 27 June 2005 and the Proposed Acquisition was completed on 12 August 2005.
- (v) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 27 June 2005, a capital reorganisation which involves cancellation of approximately HK\$28.7 million standing to the credit of the Company's share premium accounts, and the cancellation became effective on 15 July 2005.

**35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2005.

## FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 30 June 2005:

### RESULTS

	Year ended 30 June				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Turnover					
Continuing operations	382,764	349,933	279,839	49,555	<b>59,161</b>
Discontinuing operations	–	52,191	–	–	–
	382,764	402,124	279,839	49,555	<b>59,161</b>
(Loss)/profit before taxation and minority interests	(32,579)	(106,211)	(104,571)	49,266	<b>(44,745)</b>
Minority interests	(102)	78	–	–	<b>7,913</b>
Net (loss)/profit for the year	(32,681)	(106,133)	(104,571)	49,266	<b>(36,832)</b>

### ASSETS AND LIABILITIES

	Year ended 30 June				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Total assets	255,497	270,451	139,889	25,160	<b>83,306</b>
Total liabilities	(135,982)	(228,991)	(199,572)	(31,614)	<b>(11,023)</b>
	119,515	41,460	(59,683)	(6,454)	<b>72,283</b>
Minority interests	(551)	–	–	–	<b>(1,437)</b>
Shareholders' funds/(deficits)	118,964	41,460	(59,683)	(6,454)	<b>70,846</b>