



# 漢傳媒集團有限公司 SEE CORPORATION LIMITED

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

## Interim Report 2008



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## **CORPORATE INFORMATION**

### **DIRECTORS**

#### *Executive Directors*

Mr. Yu Kam Kee, Lawrence,  
*B.B.S., M.B.E., J.P. (Chairman)*  
Mr. Wong Yat Cheung (*Managing Director*)

#### *Independent Non-executive Directors*

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

### **COMPANY SECRETARY**

Ms. Ng Yuk Yee, Feona

### **QUALIFIED ACCOUNTANT**

Mr. Lau Kwok Chin, Simon

### **AUDIT COMMITTEE**

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

### **REMUNERATION COMMITTEE**

Mr. Yu Kam Kee, Lawrence,  
*B.B.S., M.B.E., J.P.*  
Mr. Li Fui Lung, Danny  
Mr. Ng Hoi Yue, Herman  
Hon. Shek Lai Him, Abraham, *S.B.S., J.P.*  
Mr. Fong Shing Kwong, Michael

### **AUDITORS**

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants

### **LEGAL ADVISER**

Richards Butler

### **PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited

### **REGISTERED OFFICE**

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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

### **HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE**

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

### **WEBSITE**

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

### **STOCK CODE**

491

The Board of Directors (the “Board”) of See Corporation Limited (hereinafter referred to as the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2007.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

For the period ended 31 December 2007, the Group recorded a consolidated turnover of approximately HK\$9.1 million, representing a decrease of approximately 67% as compared to approximately HK\$28.0 million for the corresponding period in 2006. Such decrease was mainly due to the fact that fewer films and TV programmes were released to the market during the period.

The Group recorded a loss attributable to equity holders of the Company of approximately HK\$76.8 million (2006: HK\$95.9 million), representing a decrease in the loss of approximately 20% as compared to that of 2006. The loss from operations was mainly due to the impairment loss of approximately HK\$52.0 million in the Group’s financial assets. Loss per share for the period was HK\$0.06 as compared with HK\$0.74 for the last corresponding period.

### **Review of Operations**

During the period, the Group was principally engaged in the entertainment and media business. Our activities can be categorized as (i) film and TV programme productions; (ii) music productions; (iii) event productions; (iv) artiste and model management; and (v) a pay TV operation. The Group’s multimedia electronic products trading operations remained dormant in the period.

#### ***Film and TV programme productions***

During the period under review, turnover derived from the Group’s film and TV programme productions business was approximately HK\$1.0 million, representing a decrease of approximately 95% as compared to the last corresponding period of approximately HK\$19.2 million. The Group recorded a gross profit of approximately HK\$0.9 million from the film and TV programme productions business in the current period.

The total net book value of the Group’s film rights remained approximately HK\$27.3 million as at 31 December 2007, and the impairment loss recognized on film rights during the period amounted to approximately HK\$3.1 million which was reflected in the income statement. As at 31 December 2007, the Group’s total investment in film and TV programme productions that were in progress amounted to approximately HK\$61.4 million.

### ***Music productions***

The Group released new music albums by Wada Hiromi and Vangie Tang during the period. The turnover of the Group's music productions business for the period amounted to approximately HK\$0.1 million. Although the turnover of the Group's music productions business was not significant, it served to enhance the image and exposure of our artistes to the market.

### ***Event productions***

The Group recorded a turnover of approximately HK\$0.2 million derived from its event productions in the current period, representing a decrease of 68% as compared to approximately HK\$0.7 million for the last corresponding period.

### ***Artiste and model management***

The Group continued to manage a number of famous Hong Kong artistes and top models during the period. For the period ended 31 December 2007, the turnover derived from the business of artiste and model management was approximately HK\$7.8 million which represented almost 86% of the Group's total turnover and which generated a profit of approximately HK\$2.5 million.

### ***Associates***

The recent results of TVB Pay Vision Holdings Limited for the six months ended 31 December 2007 has improved slightly. At 30 June 2007, the net assets of associates was nil. As such, for the period ended 31 December 2007, share of loss of associates was not required.

At 31 December 2007, the goodwill arising on acquisition of associates amounted to HK\$72.4 million. The directors of the Group assessed the recoverable amount of goodwill by reference to the valuation as at 31 December 2007 performed by an independent firm of professional valuers, and considered no impairment loss was required.

### **Geographical Review**

During the period under review, the Group's revenue was mainly derived from Hong Kong and China market which accounted for approximately 90% of the Group's total turnover.

## **Future Business Prospects and Plans**

In view of the improving economy in both Hong Kong and China, the disposable income of consumers is expected to rise and they incline to pursue a high quality of living standard and are willing to spend more on personal enjoyment, such as movie going or installing luxury household multimedia device to enjoy films and TV programmes at home. The entertainment sector will benefit from the economic growth and the preference of consumers' enjoyment.

As consumer market for film and/or TV production is highly unpredictable, the Group shall aim to invest in attractive stories and scripts for the coming projects.

The Group will continue to look for potential talents to join our artiste and model team in order to maximize our participation in the entertainment industry. At the same time, we shall explore diversified opportunities for our existing artistes and models to enhance their professional skills and prospects.

## **Financial Review and Liquidity**

As at 31 December 2007, the Group's net assets amounted to HK\$216.5 million, as compared with HK\$134.7 million on 30 June 2007. The current ratio, representing current assets divided by current liabilities, was 5.3. On 15 November 2007, the Group raised approximately HK\$155.1 million by way of rights issue of 1,292,534,660 rights shares at a price of HK\$0.12 each payable in full on acceptance on the basis of two rights shares for every existing share held by the shareholders. In addition, the Group issued convertible notes in the principal amount of HK\$170 million in August 2005 and HK\$100 million in December 2007. On 31 December 2007, the total amount of fair value of the liability component of these two convertible notes was approximately HK\$241.5 million. On the balance sheet date, the Group had a short-term loan from third parties of HK\$45.7 million and short-term bank borrowing of HK\$10.1 million. The gearing ratio, as a ratio of total borrowings over total assets was 0.55.

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

### **Exposure to Fluctuation in Exchange Rates and Related Hedges**

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

As the exchange rate of Hong Kong dollars against Renminbi was relatively stable during the period, the Group's exposure to fluctuations in exchange rates was minimal.

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

### **Employee Schemes**

As at 31 December 2007, the Group had 55 employees (53 based in Hong Kong and 2 based in China). 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 individual performance.

### **Major Litigation and Arbitration Proceedings**

The Company and its ex-subsiidiary, P.N. Electronics Ltd. ("PNE") have been involved in arbitration proceedings with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK\$18 million as well as other damages. The arbitration proceedings have been dormant for a substantial period of time.

On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,936,000), together with interest. The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a

contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied). The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

### Directors' Interests in Shares, Underlying Shares and Debentures

#### (A) *Shares*

As at 31 December 2007, the directors and chief executive had the following interests, all being long position, in the ordinary shares of the Company and its associated corporations as defined in Section 352 of the Securities and Futures Ordinance ("SFO"):

Name of Director	Name of Company	Capacity	Number of Shares	Approximate Percentage of Interest
Yu Kam Kee, Lawrence	See Corporation Limited	Beneficial owner	123,776,820	6.38%
Wong Yat Cheung	Mega-Vision Productions Limited	Beneficial owner	2,000,000	20%

#### (B) *Share options*

The Company has a share option scheme under which directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. During the six months ended 31 December 2007, there were no outstanding share options granted to the directors of the Company.

Save as aforesaid, as at 31 December 2007, to the knowledge of the Company:

- (i) none of the directors, or 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) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors and chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules");
- (ii) none of the directors, or chief executive or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the six months ended 31 December 2007.

## Substantial Shareholders

As at 31 December 2007, the interests of shareholders, other than a director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Long Position/ Short Position		Capacity	Number of	Number of	Approximate Percentage of Interest
				Shares Held/ Involved	Underlying Shares Held/ Involved	
Ms. Ng Yuen Lan, Macy ("Ms. Ng") (Note 1)	Long position		Interest of spouse	449,078,595	–	23.16%
	Long position		Interest of spouse	–	407,407,407	21.01%
Dr. Chan Kwok Keung, Charles ("Dr. Chan") (Note 1)	Long position		Interest of controlled corporations	359,078,595	–	18.52%
	Long position		Beneficial owner	90,000,000	–	4.64%
	Long position		Interest of controlled corporations	–	407,407,407	21.01%
ITC Corporation Limited ("ITC") (Note 1)	Long position		Interest of controlled corporations	359,078,595	–	18.52%
	Long position		Interest of controlled corporations	–	407,407,407	21.01%
ITC Investment Holdings Limited ("ITC Investment") (Note 1)	Long position		Interest of controlled corporations	359,078,595	–	18.52%
	Long position		Interest of controlled corporations	–	407,407,407	21.01%
Mankar Assets Limited ("Mankar") (Note 1)	Long position		Interest of controlled corporations	359,078,595	–	18.52%
	Long position		Interest of controlled corporations	–	407,407,407	21.01%

Name of Shareholder	Long Position/ Short Position	Capacity	Number of		Approximate Percentage of Interest
			Shares Held/ Involved	Underlying Shares Held/ Involved	
Famex Investment Limited ("Famex") (Note 1)	Long position	Interest of controlled corporations	359,078,595	–	18.52%
	Long position	Interest of controlled corporations	–	407,407,407	21.01%
Hanny Holdings Limited ("Hanny") (Note 2)	Long position	Interest of controlled corporation	21,723,000	–	1.12%
	Long position	Beneficial owner	337,355,595	–	17.40%
	Long position	Beneficial owner	–	407,407,407	21.01%

*Notes:*

1. Famex holds approximately 49.93% shareholding interests in Hanny. Famex is a direct wholly-owned subsidiary of Mankar. Mankar is a direct wholly-owned subsidiary of ITC Investment, which in turn is a direct wholly-owned subsidiary of ITC. Dr. Chan directly holds approximately 0.47% of the issued share capital of Hanny. Dr. Chan directly holds approximately 4.75% of the issued share capital of ITC and indirectly holds approximately 29.82% of the issued share capital of ITC through his indirect wholly-owned company, Galaxyway Investments Limited, respectively. Ms. Ng is the spouse of Dr. Chan. Famex, Mankar, ITC Investment, ITC, Dr. Chan and Ms. Ng are deemed to be interested in 337,355,595 shares and 407,407,407 underlying shares directly held by Hanny, and 21,723,000 shares deemed to be interested by Hanny.
2. Cyber Generation Limited ("Cyber Generation"), an indirect wholly-owned subsidiary of Hanny, holds 21,723,000 shares of the Company. Hanny is deemed to be interested in 21,723,000 shares held by Cyber Generation.

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 31 December 2007.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **Code on Corporate Governance Practices**

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices. Throughout the six months ended 31 December 2007, the Company followed the principles and complied with all applicable provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

### **Model Code for Directors' Securities Transactions**

The Company has adopted the 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 confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2007.

### **Audit Committee**

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

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

The audit committee and the Group's external auditors have discussed with management on the Group's accounting policy and discussed internal control and financial reporting matters regarding the Group's unaudited interim financial statements for the six months ended 31 December 2007.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

		Six months ended 31 December	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	Note		
Turnover	2	9,113	28,010
Cost of sales		<u>(5,563)</u>	<u>(23,845)</u>
Gross profit		3,550	4,165
Other revenue		7,229	6,046
Change in fair value of financial assets at fair value through profit or loss		(51,975)	786
Impairment loss on film rights		(3,067)	–
Distribution costs		(531)	(3,071)
Administrative expenses		<u>(21,621)</u>	<u>(18,878)</u>
Loss from operations	3	(66,415)	(10,952)
Impairment loss on goodwill		(1,064)	–
Finance costs		(9,300)	(9,680)
Share of results of associates		<u>–</u>	<u>(75,654)</u>
Loss before taxation		(76,779)	(96,286)
Taxation	4	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(76,779)</u></u>	<u><u>(96,286)</u></u>
Attributable to:			
Equity holders of the Company		(76,779)	(95,895)
Minority interests		<u>–</u>	<u>(391)</u>
		<u><u>(76,779)</u></u>	<u><u>(96,286)</u></u>
Loss per share			
– Basic	6	<u><u>HK\$(0.06)</u></u>	<u><u>HK\$(0.74)</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
<b>Non-current Assets</b>			
Intangible assets	7	57	65
Leasehold land		14,272	14,280
Property, plant and equipment	8	10,113	10,596
Interests in associates	9	72,365	72,365
Goodwill		28	1,092
		<b>96,835</b>	<b>98,398</b>
<b>Current Assets</b>			
Film rights		27,344	30,041
Film production in progress		61,416	17,910
Music production in progress		2,299	2,500
Inventories		1,362	331
Trade and other receivables	10	82,453	41,373
Loan receivables	11	40,000	40,000
Financial assets at fair value through profit or loss		131,070	19,050
Held-to-maturity investments		19,326	17,341
Pledged fixed deposits		755	743
Cash and bank balances		82,267	85,301
		<b>448,292</b>	<b>254,590</b>
<b>Less: Current Liabilities</b>			
Trade and other payables	12	29,562	17,677
Short-term loan – unsecured	13	45,742	45,742
Bank overdraft – secured		10,056	9,894
		<b>85,360</b>	<b>73,313</b>
<b>Net current assets</b>		<b>362,932</b>	<b>181,277</b>
<b>Total assets less current liabilities</b>		<b>459,767</b>	<b>279,675</b>
<b>Less: Non-current Liabilities</b>			
Convertible notes	15	241,493	144,939
Deferred taxation		1,760	–
		<b>243,253</b>	<b>144,939</b>
<b>Net assets</b>		<b>216,514</b>	<b>134,736</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	16	19,388	6,462
Reserves		197,126	128,274
		<b>216,514</b>	<b>134,736</b>
<b>Minority Interests</b>		<b>–</b>	<b>–</b>
		<b>216,514</b>	<b>134,736</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007 (Unaudited)

	Attributable to equity holder of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Accumulated deficits HK\$'000	Minority interests HK\$'000	
At 1 July 2007	6,462	362,707	-	45,920	(280,353)	-	134,736
Issue of shares pursuant to right issue	12,926	-	-	-	-	-	12,926
Premium arising from issue of shares pursuant to rights issue	-	142,178	-	-	-	-	142,178
Share issue expenses on rights issue	-	(4,845)	-	-	-	-	(4,845)
Convertible notes - equity component	-	-	-	10,058	-	-	10,058
Deferred tax	-	-	-	(1,760)	-	-	(1,760)
Net loss for the period	-	-	-	-	(76,779)	-	(76,779)
At 31 December 2007	<u>19,388</u>	<u>500,040</u>	<u>-</u>	<u>54,218</u>	<u>(357,132)</u>	<u>-</u>	<u>216,514</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 December 2006 (Unaudited)

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash outflow from operating activities	(89,748)	(41,554)
Net cash outflow from investing activities	(161,560)	(42,188)
Net cash inflow/(outflow) from financing activities	248,124	(59,008)
Decrease in cash and cash equivalents	(3,184)	(142,750)
Cash and cash equivalents at beginning of period	76,150	148,403
Cash and cash equivalents at end of period	72,966	5,653
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	72,966	5,653

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2007 (in HK Dollars)*

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

The Interim Financial Statements have been prepared on historical cost basis except certain investment properties and financial assets, which are measured at fair values, as appropriate.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2007.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively includes HKASs and Interpretation, that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new standards, amendments and interpretations had no material impact on the Group’s results and financial position whereas the adoption of Amendment to HKAS 1, Presentation of financial statements: capital disclosures and HKFRS 7, Financial instruments: disclosures require additional disclosures to be made in the annual report. Accordingly, no prior period adjustment is required.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

### *Standards, amendment or interpretations issued but not yet effective*

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangement <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction <sup>2</sup>

<sup>1</sup> Effective for financial period commencing on or after 1 January 2009

<sup>2</sup> Effective for financial period commencing on or after 1 January 2008

<sup>3</sup> Effective for financial period commencing on or after 1 July 2008

The interim report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 2006/07 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the adoption of these new HKFRSs would have a significant impact on its results of operations and financial position.

## 2. SEGMENT INFORMATION

### (a) Primary reporting format – business segments

During the period ended 31 December 2007, the Group was mainly engaged in (i) film and TV programme productions, (ii) event productions, (iii) artiste and model management and (iv) music productions.

Segment information about these businesses for the six months ended 31 December 2007 and 2006 is as follow:

	Six months ended 31 December 2007 (Unaudited)				
	Film/TV programme productions <i>HK\$'000</i>	Event productions <i>HK\$'000</i>	Artiste and model management <i>HK\$'000</i>	Music productions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	955	210	7,835	113	9,113
Segment results	880	96	2,461	113	3,550
Interest income and unallocated gains					7,229
Unallocated corporate expenses					(22,152)
Impairment loss on film rights					(3,067)
Change in fair value of financial assets at fair value through profit or loss					(51,975)
Loss from operations					(66,415)
Impairment loss on goodwill					(1,064)
Finance costs					(9,300)
Loss before taxation					(76,779)
Taxation					-
Loss for the period					(76,779)

2. **SEGMENT INFORMATION** (Continued)

(a) **Primary reporting format – business segments** (Continued)

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

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

2. **SEGMENT INFORMATION** (Continued)

(b) **Geographical segments**

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

Six months ended 31 December 2007 (Unaudited)					
North					
	America	Hong Kong	China	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>372</u>	<u>7,537</u>	<u>667</u>	<u>537</u>	<u>9,113</u>
Segment results	<u>336</u>	<u>2,636</u>	<u>228</u>	<u>350</u>	<u>3,550</u>

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

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

### 3. LOSS FROM OPERATIONS

	<b>Six months ended 31 December</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss from operations has been arrived at after charging/(crediting) as following items:		
Amortisation of film rights	–	17,226
Amortisation of leasehold land	<b>8</b>	8
Amortisation of trademark	<b>8</b>	126
Impairment loss on film rights	<b>3,067</b>	–
Impairment loss on goodwill	<b>1,064</b>	–
Depreciation of property, plant and equipment	<b>638</b>	619
Operating leases in respect of land and buildings	<b>2,595</b>	1,962
Staff cost	<b>8,428</b>	8,978
Change in fair value of financial assets at fair value through profit or loss	<b>51,975</b>	(786)

### 4. TAXATION

Tax expenses in the condensed consolidated income statement represents:

	<b>Six months ended 31 December</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax	–	–
Deferred tax	<b>1,760</b>	–
	<b>1,760</b>	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group and the Company either incurred taxation loss or had no assessable profit for the period (2006: Nil).

**5. INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the current period (2006: Nil).

**6. LOSS PER SHARE**

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to equity holders of the Company ( <i>in HK\$'000</i> )	<u><b>(76,779)</b></u>	<u>(95,895)</u>
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	<u><b>1,235,067,272</b></u>	<u>129,253,466</u>

The weighted average number of ordinary shares for the period ended 31 December 2007 for the purpose of basis and diluted loss per share has been adjusted pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 22 October 2007 in connection with the rights issue of 1,292,534,660 rights shares issued at a price of HK\$0.12 each.

The computation of diluted loss per share for the six months ended 31 December 2007 and 2006 did not assume the exercise of the Company's outstanding share options as the effect of the assumed exercise of the Company's outstanding share options would be anti-dilutive.

## 7. INTANGIBLE ASSETS

Intangible assets represent trademarks and artiste contract rights. The changes in the net book value of intangible assets for the six months ended 31 December 2007 are analysed as follow:

	<i>HK\$'000</i>
At 1 July 2007 (Audited)	65
Additions	–
Amortisation charged for the period	<u>(8)</u>
<b>At 31 December 2007 (Unaudited)</b>	<b><u>57</u></b>

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2007, the Group acquired property, plant and equipment for an amount of approximately HK\$154,000 (2006: HK\$466,000).

## 9. INTERESTS IN ASSOCIATES

	<b>31 December 2007 (Unaudited) <i>HK\$'000</i></b>	30 June 2007 (Audited) <i>HK\$'000</i>
Share of net assets of associates	–	–
Goodwill arising on acquisition of associates	<u>72,365</u>	<u>72,365</u>
	<b><u>72,365</u></b>	<b><u>72,365</u></b>

At 31 December 2007, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 31 December 2007 performed by Norton Appraisals Limited (“Norton Appraisals”), an independent firm of professional valuers. According to the results of the valuation by Norton Appraisals, the directors are of the opinion that no impairment loss on goodwill was needed to provide during the period.

## 10. TRADE AND OTHER RECEIVABLES

	<b>31 December 2007 (Unaudited) HK\$'000</b>	30 June 2007 (Audited) HK\$'000
Trade receivables	<b>9,266</b>	12,484
Other receivables	<b>73,187</b>	28,889
	<b>82,453</b>	41,373

The following is an aged analysis of trade receivables:

	<b>31 December 2007 (Unaudited) HK\$'000</b>	30 June 2007 (Audited) HK\$'000
0 – 90 days	<b>1,290</b>	3,112
91 days or above	<b>14,083</b>	15,479
	<b>15,373</b>	18,591
Less: Impairment loss on trade receivables	<b>(6,107)</b>	(6,107)
	<b>9,266</b>	12,484

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

The directors of the Company considered that the carrying amounts of the Group's trade and other receivables at 31 December 2007 were approximate to their fair values.

## 11. LOAN RECEIVABLES

The Group has provided short-term loans to independent third parties. Loan receivables are secured, chargeable with effective interest at 2.5% over the best lending rate of Hong Kong dollar and repayable on demand.

The directors of the Company considered that the carrying amounts of loan receivables were approximate to their fair values.

## 12. TRADE AND OTHER PAYABLES

	<b>31 December 2007 (Unaudited) HK\$'000</b>	30 June 2007 (Audited) HK\$'000
Trade payables	<b>8,619</b>	8,373
Other payables	<b>20,943</b>	9,304
	<b>29,562</b>	17,677

The following is an aged analysis of trade payables:

	<b>31 December 2007 (Unaudited) HK\$'000</b>	30 June 2007 (Audited) HK\$'000
0 – 90 days	<b>939</b>	3,243
91 days or above	<b>7,680</b>	5,130
	<b>8,619</b>	8,373

The directors of the Company considered that the carrying amounts of Group's trade and other payables at 31 December 2007 were approximate to their fair values.

## 13. SHORT-TERM LOAN – UNSECURED

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

The directors of the Company considered that the carrying amount of the short-term loan was approximate to its fair value.

## 14. PLEDGE OF ASSETS

At 31 December 2007, the Group's leasehold land with net book value of approximately HK\$14,272,000 (2006: HK\$14,280,000) was pledged to secure banking facilities granted to the Group.

## 15. CONVERTIBLE NOTES

	<b>Liability component of the convertible notes HK\$'000</b>	<b>Equity component of the convertible notes HK\$'000</b>
At 30 June 2007 and 1 July 2007 ( <i>Note i</i> )	144,939	45,920
Issued on 5 December 2007 ( <i>Note ii</i> )	89,943	10,058
Imputed interest expenses	6,611	–
<b>At 31 December 2007</b>	<b><u>241,493</u></b>	<b><u>55,978</u></b>

### *Notes:*

- i. The Company issued zero-coupon convertible notes (the “2005 Convertible Notes”) to Hanny Holdings Limited (the “Noteholder”) at a nominal value of HK\$170,000,000 on 10 August 2005 which will mature on 9 August 2010. The Noteholder may at any business date after the date of issue of the 2005 Convertible Notes up to and including the date prior to the fifth anniversary of the date of issue of the 2005 Convertible Notes convert the whole or any part in an amount or integral multiple of HK\$500,000 of the principal amount of the 2005 Convertible Notes into shares of HK\$0.01 each in the share capital of the Company, at the conversion price of HK\$0.12 per share.

The conversion price of the 2005 Convertible Notes of HK\$170,000,000 had been adjusted from HK\$0.12 per share to HK\$0.0406 per share as a result of the right issue taken place on 30 June 2006.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$0.0406 per share to HK\$4.06 per share as a result of the share consolidation taken place on 31 October 2006.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$4.06 per share to HK\$1.69 per share as a result of the rights issue taken place on 16 May 2007.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$1.69 per share to HK\$1.09 per share as a result of the rights issue taken place on 15 November 2007.

The conversion price of the 2005 Convertible Notes had been further adjusted from HK\$1.09 per share to HK\$1.08 per share as a result of the issue of the 2007 Convertible Notes taken place on 5 December 2007.

- ii. The Company issued convertible notes (the “2007 Convertible Notes”) to Hanny Holdings Limited (the “Noteholder”) at a nominal value of HK\$100,000,000 on 5 December 2007 which will mature on 4 December 2009. The Noteholder may at any time commencing on and excluding the 7th day after the date of issue of the convertible notes up to and including the date which is 7 days prior to the second anniversary of the date of issue of the convertible notes convert the whole or any part of the principal amount of the convertible notes into shares of HK\$0.01 each in the share capital of the Company, at the conversion price of HK\$0.40 per share.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders’ equity named as convertible notes reserve.

## 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each at beginning and at end of period	<u>50,000,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each at beginning of period	646,267,330	6,462
Rights issue on 15 November 2007 ( <i>Note i</i> )	<u>1,292,534,660</u>	<u>12,926</u>
Ordinary shares of HK\$0.01 each at end of period	<u>1,938,801,990</u>	<u>19,388</u>

*Note:*

- (i) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 22 October 2007, rights issue of 1,292,534,660 rights shares at price of HK\$0.12 each payable in full on acceptance on the basis that two rights shares for every existing share has been approved by the shareholders at the special general meeting. The rights issue has been completed on 15 November 2007.

## 17. CONTINGENT LIABILITIES AND COMMITMENTS

- (i) As at 30 June 2006, the Company provided corporate guarantees amounting to approximately HK\$24 million to a financial institution in respect of banking facilities granted to WIIL group, approximately HK\$5.5 million of which was utilized by members of the WIIL group such amount was claimed by the financial institution as disclosed in point (iii) below.
- (ii) The Company and its ex-subsiary, P.N. Electronics Ltd. (“PNE”) have been involved in arbitration proceedings with North American Foreign Trading Corporation (“NAFT”) in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK\$18 million as well as other damages. The arbitration proceedings have been dormant for a substantial period of time.
- (iii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited (“BII Finance”) against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (approximately HK\$1,936,000), together with interest.

The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance’s claim in the event that the Company is found liable to BII Finance (which is denied).

The Company will continue to defend BII Finance’s claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. BII Finance has not taken any steps to progress with the action since June 2006.

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

## 18. OPERATING LEASE COMMITMENTS

### *The Group as lessee*

At 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and building, which fall due as follows:

	<b>31 December 2007 (Unaudited) HK\$'000</b>	30 June 2007 (Audited) HK\$'000
Within one year	3,569	3,611
In the second to fifth year inclusive	<u>12,179</u>	<u>12,385</u>
	<u><b>15,748</b></u>	<u><b>15,996</b></u>

## 19. SUBSEQUENT EVENTS

No significant subsequent event took place subsequent to 31 December 2007.

## 20. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 20 March 2008.

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

Hong Kong, 20 March 2008