

# **BIG MEDIA GROUP LIMITED**

## **天下媒體集團有限公司\***

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 8167)

### **THIRD QUARTERLY REPORT**

#### **2005 – 2006**

For the three months and nine months ended  
31 March 2006

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of BIG Media Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to BIG Media Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of Directors (the “Board”) of BIG Media Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 March 2006 together with comparative unaudited figures for the corresponding period of 2005 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
TURNOVER	2	2,940	150	3,668	1,532
Cost of sales		(912)	(1,128)	(2,138)	(4,644)
Gross profit/(loss)		2,028	(978)	1,530	(3,112)
Other revenue		41	–	115	40
Selling and distribution costs		–	–	–	(233)
Administrative expenses		(523)	(182)	(1,067)	(4,227)
Provision for deposit and accounts receivable		–	(4,610)	–	(10,056)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		1,546	(5,770)	578	(17,588)
Finance costs		(20)	(109)	(710)	(944)
PROFIT/(LOSS) BEFORE TAXATION		1,526	(5,879)	(132)	(18,532)
Taxation	3	–	–	–	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		1,526	(5,879)	(132)	(18,532)
			(Restated)		(Restated)
EARNINGS/(LOSS) PER SHARE					
Basic	4	1.53 cent	(29.40 cent)	(0.25 cent)	(92.66 cent)

Notes:

#### 1. Basis of preparation

The results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1 January 2005. Except for the adoption of HKFRS 2 and HKFRS 3, the adoption of HKFRSs did not result in substantial changes to the Group’s accounting policies.

The major changes in accounting policies are set out below:–

##### HKFRS 2 – Share-based payments

Previously, share options granted were not recognised as costs. HKFRS 2 requires an expense to be recognised for the fair value of share options granted, determined at the date of grant of the share options.

##### HKFRS 3 – Business Combinations

Previously, goodwill arising on acquisition was capitalised and amortised over its estimated useful life. On application of HKFRS 3, goodwill arising on acquisition is measured at cost less accumulated impairment losses after initial recognition. No amortisation is required.

The adoption of these new accounting policies have no significant impact on the Group’s results for the current and prior periods.

## 2. Turnover, revenues and segment information

Turnover represents licensing fee income and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's turnover and revenues is as follows:

	For the three months ended 31 March		For the nine months ended 31 March	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Licensing of film rights	2,940	150	3,668	1,523
Sale of videos and video compact discs	—	—	—	9
Turnover	2,940	150	3,668	1,532
Other revenues	41	—	115	40
Total revenues	<u>2,981</u>	<u>150</u>	<u>3,783</u>	<u>1,572</u>

The Group is principally engaged in the production of video and films, and licensing of video and copyrights/film rights. Accordingly, no analysis of business segment, the primary segment, is provided.

In determining the Group's geographical segments, the secondary segment, revenues and results from the sale of videos and video compact discs are attributed to the segments based on the location of the customers and for the distribution of film rights licensing and sub-licensing activities, based on the location of the ultimate markets. As all of the Group's principal activities were carried out in Hong Kong during the period, no analysis of geographical segment information is presented.

## 3. Taxation

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the three months and nine months ended 31 March 2006 (2005: Nil).

The Group has no material unprovided deferred taxation for the three months and nine months ended 31 March 2006 (2005: Nil).

## 4. Earnings/(loss) per share

The basic earnings/(loss) per share for the three months and nine months ended 31 March 2006 are calculated based on the unaudited consolidated profit/(loss) attributable to shareholders of the Company for the three months and nine months ended 31 March 2006 of approximately profit of HK\$1,526,000 and losses of HK\$132,000 respectively (2005: losses of approximately HK\$5,879,000 and HK\$18,532,000 respectively) and on a weighted average number of 100,000,000 shares and 53,699,634 shares in issue during the periods respectively (2005: 20,000,000 shares as restated to reflect the effect of the Share Consolidation in November 2005).

Diluted earnings/(loss) per share for the three months and nine months ended 31 March 2006 and 2005 has not been disclosed as no diluting event existed during these periods.

## 5. Share premium and reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2004	20,027	17,590	(10,056)	27,561
Loss for the period	—	—	(18,532)	(18,532)
At 31 March 2005	<u>20,027</u>	<u>17,590</u>	<u>(28,588)</u>	<u>9,029</u>
At 1 July 2005	20,027	17,590	(65,342)	(27,725)
Proceeds/issuing expenses from rights issue	(1,088)	—	—	(1,088)
Loss for the period	—	—	(132)	(132)
At 31 March 2006	<u>18,939</u>	<u>17,590</u>	<u>(65,474)</u>	<u>(28,945)</u>

## 6. Dividends

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 March 2006 (2005: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the nine months ended 31 March 2006 amounted to approximately HK\$3.7 million (2005: approximately HK\$1.5 million), representing an increase of around 39%. This was mainly due to distribution of film rights from the Group's existing film library. During the period, the film rights of 25 movies had been successfully distributed. Gross income was mainly contributed by the increased distribution of film rights throughout Hong Kong and South East Asia.

### Outlook

After the fund raising scheme by way of Rights Issue in the last quarter, the capital base and financial position of the Group has significantly improved. During the period, the Group has entered into a production agreement and has invested in the movie tentatively entitled "Love Undercover 3". The movie is expected to be launched in June 06.

As the media network in Hong Kong has expanded, the Group will benefit from the growing market of pay TV channel, satellite TV and other media networks. The Group will continue to search for good stories, scripts and casting in order to invest in other movie projects.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2006, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the shares of the Company

Name of director	Corporate interest	Percentage of shareholding
Mr. Lee Man Kwong	170,400,000*	42.6%
Ms. Xiong Jingling	170,400,000*	42.6%

\* Mr. Lee Man Kwong and Ms. Xiong Jingling have beneficial interests of 70% and 30% respectively in Sparkle China Development Limited, which owns 170,400,000 ordinary shares of the Company.

Save as disclosed above, the directors do not have any interests or short positions in the shares of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the period under review was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEME

On 22 July 2002, a share option scheme (the "Scheme") was approved by the Company. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors of the Company or any of its subsidiaries, independent non-executive Directors and employees of the Group, and suppliers of goods or services to the Group.

No share option has been granted by the Company under the Scheme up to the date of this report.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director of the Company, as at 31 March 2006, shareholders (other than Directors of the Company) who had interests and short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Number of shares held	Percentage of shareholding
Sparkle China Development Limited	42,600,000	42.6%
Shineidea Limited (controlled corporation of See Corporation Limited)	17,081,651	17.08%
Millennium Target Holdings Limited (controlled corporation of Wing On Travel (Holdings) Limited and Wing On Travel International Limited)	9,500,000	9.5%

Save as disclosed above and in "Directors' Interests and Short Positions in Shares", the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO.

## **CORPORATE GOVERNANCE**

The Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules as at 31 March 2006.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the nine months ended 31 March 2006.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months and nine months ended 31 March 2006.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group.

On behalf of the Board  
**Lee Man Kwong**  
*Director*

Hong Kong, 11 May 2006

The Board comprises of:

Mr. Lee Man Kwong (*Executive Director*)  
Ms. Xiong Jingling (*Executive Director*)  
Mr. Chan Kwok Sun, Dennis (*Executive Director*)  
Mr. Law Kwok Keung (*Executive Director*)  
Mr. Lam Kin Kau, Mark (*Independent Non-executive Director*)  
Mr. Law Kwok Leung (*Independent Non-executive Director*)  
Mr. Fung Wing Keung (*Independent Non-executive Director*)