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)

WE MAKE
MAGIC WORKS

ANNUAL REPORT 2006

CONTENTS

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Corporate Information

Board of Directors

Executive Directors

Mr. Lee Man Kwong
Mr. Chan Kwok Sun, Dennis
Ms. Xiong Jingling
Mr. Law Kwok Keung

Independent Non-executive Directors

Mr. Lam Kin Kau, Mark
Mr. Fung Wing Keung
Mr. Law Kwok Leung

Company Secretary

Mr. Lee Man Kwong

Qualified Accountant

Mr. Au Yeung Chung Bong

Compliance Officer

Mr. Lee Man Kwong

Authorised Representatives

Mr. Lee Man Kwong
Mr. Chan Kwok Sun, Dennis

Audit Committee and Remuneration Committee

Mr. Lam Kin Kau, Mark
Mr. Fung Wing Keung
Mr. Law Kwok Leung

Auditors

Hopkins CPA Limited
Certified Public Accountants

Principal Banker

ICBC

GEM Stock Code

8167

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business in Hong Kong

5/F, Fook Hing Factory Building
33 Lee Chung Street
Chaiwan
Hong Kong

Solicitors

Hong Kong

Chiu & Partners

Cayman Islands

Conyers Dill & Pearman, Cayman

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
36C Bermuda House
British American Centre
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of BIG Media Group Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2006.

Financial Result

For the year ended 30 June 2006, the Group's net loss attributable to Shareholders was approximately HK$3.2 million as compared to loss of approximately HK$55.3 million in previous year. Turnover increased from approximately HK$1.8 million in the previous year to approximately HK$4.1 million this year, representing an increase of approximately 133%.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2006.

Overview

For the year ended 30 June 2006, the Group has successfully distributed 101 movies according to the distribution contract signed between Best Faith (Hong Kong) Limited (Trading as B&S Films Creation Works House), a wholly-owned subsidiary of the Company and a leading movie distributor in Hong Kong. The movies were distributed throughout Hong Kong and South East Asia.

The Group had a Share Consolidation and Rights Issue fund raising scheme, through which the Group issued 80 million new shares at HK$0.20 per share and generated net cash proceeds of approximately HK$14.9 million. The capital base and financial position of the Group has significantly improved as a result of the Rights Issue. During the year, the Group has invested in the production of two films. The one entitled "Love Undercover 3" was successfully launched in June 06 with favorable results.

The other film is already at its post-production stage and is expected to be launched by the end of the year. Other than film production, the Group has also purchased a movie during the year and will launch it as when the market is right. The Group is currently searching for a suitable distribution network for the movie.

Prospects

Despite the competitiveness of the industry, the future outlook of the Group is moving towards its right trend. As the media network in Hong Kong has expanded, the Group is expected to 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.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my thankfulness to the Group's shareholders and customers for their support, to the management and staff for their hard work and contributions during the year.

Lee Man Kwong
Chairman

Hong Kong, 28 August 2006

Management Discussion and Analysis

Financial Position

For the year under review, other than the income earned through its usual film right distribution, the Group mainly financed its operations with funds raised from the Rights Issue and financial support provided by its substantial shareholder and loans from other third parties. As at 30 June 2006, the Group had total current assets of approximately HK$7.3 million (2005: HK$3.2 million), including cash and bank balances of approximately HK$1.6 million (2005: HK$0.1 million), film rights and films in progress of approximately HK$2.8 million (2005: HK$2.8 million), accounts receivable of approximately HK$0.2 million (2005: nil) and prepayment, deposits and other receivables of approximately HK$2.8 million (2005: HK$0.3 million). The Group has aggregate outstanding borrowings of approximately HK$17.0 million (2005: HK$24.8 million). It comprised of a bank overdraft of approximately HK$1.6 million (2005: HK$6.1 million) at an interest rate ranged of 2.25% over prevailing Hong Kong dollars prime rate per annum (2005: at an interest rate ranged from 1.25% over Hong Kong dollars deposit rate to 2.25% over prevailing Hong Kong dollars prime rate per annum), a bank loan of HK$2.0 million (2005: nil) at an interest rate of 2.25% over prevailing Hong Kong dollars prime rate per annum, a short term loan of HK$9.75 million (2005: HK$3.0 million) at an interest rate of 2.5% over prevailing Hong Kong dollars prime rate per annum, shareholder's loan of approximately HK$1.2 million (2005: HK$4.6 million) at an interest rate of 5% per annum and an interest-free loan of approximately HK$3.5 million (2005: HK$11.0 million). The loan is not repayable within twelve months

The Group's turnover for the year ended 30 June 2006 amounted to approximately HK$4.1 million (2005: approximately HK$1.8 million), representing an increase of around 133%. This was mainly due to distribution of film rights from the Group's existing film library. During the period, the film rights of 101 movies and telefeatures had been successfully distributed.

Gearing Ratio

The gearing ratio, representing borrowings divided by total assets, was approximately 1.87 as at 30 June 2006 (2005: 4.41).

Foreign Exchange Exposure and Treasury Policies

Since most of the Group's borrowings, cash balances and income are primarily denominated in Hong Kong dollars, no hedging or other alternatives have been implemented. The Group has not experienced any material difficulty or effect on its operations of liquidity as a result of fluctuations in currency exchange rates. As at 30 June 2005 and 30 June 2006, the Group did not have outstanding hedging instruments.

Charges on Group Assets

At 30 June 2006, all the undertaking, property and assets of several subsidiaries of the Group were pledged to an independent third party as security for a short term borrowing amounting to HK$10.0 million during the year, for working capital of the Group.

Contingent Liabilities

In last financial year, there is a pending litigation which was ordered by the Labour Tribunal in 2005 to be transferred to the High Court relating to claims in respect of alleged arrears labour costs to the amount of approximately HK$800,000. The case was dormant since the last hearing at the Labour Tribunal in 2005. The Company is of the view that the claims are without merit and has procured appropriate legal actions for counter-claim against the relevant parties for damages for breach of contracts to the amount of approximately HK$1,600,000. Therefore no provision has been made on the claim in the accounts of the Group in the annual results for the year ended 30 June 2006.

Management Discussion and Analysis

Employees

As at 30 June 2006, the Group had 8 full-time staffs (2005: 8). The total of employee remuneration, including that of the Directors, for the year under review and last corresponding year amounted respectively to approximately HK$0.9 million and approximately HK$2.4 million. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 22 July 2002, the Company had adopted a share option scheme under which full time employees, including directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares. At 30 June 2006, no share options were granted under the share option scheme.

Significant Investments and Future Plans for Material Investments

Save as disclosed above, the Group did not have any plan for material investments and acquisition of material capital assets as at 30 June 2006.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

There had been no material acquisitions and disposals of subsidiaries during the year (2005: Nil).

Outlook

The Group will continue to search for good stories; scripts and casting in order achieve the objective to become an active movie producer and distributor in the Greater China region and other countries.

Biography of Directors and Senior Management

Executive Directors

Mr. Lee Man Kwong, aged 51, was appointed as an Executive Director in November 2004. He is also the Company Secretary and the Compliance Officer of the Company. Mr. Lee has been practising as a solicitor in Hong Kong for over 21 years and is a partner at Messrs. Chan, Lau & Wai, Solicitors. He is also a solicitor qualified in England and Wales and Singapore. Mr. Lee has 12 years of exposure to the entertainment industry in Hong Kong and has built up extensive connections within the industry. Mr. Lee was an independent non-executive director of Asia Standard Hotel Group Limited for the period from 2000 to 2003, a listed company in Hong Kong. Mr. Lee is currently an executive director of Sau San Tong Holdings Limited, a GEM listed company providing beauty and sliming services throughout Hong Kong and China. He has substantial experience in business management through his personal direct investments in various industries such as Internet, trading and tourism in Hong Kong and the PRC.

Ms. Xiong Jingling, aged 42, was appointed as an Executive Director in November 2004. Ms. Xiong holds a Bachelor of Law Degree from the Renmin University of China. Ms. Xiong has 15 years of commercial experience as she took up senior consulting and managerial positions in several consulting and investment companies in the PRC. She is at present the deputy general manager of a property consultancy in Shenzhen, China.

Mr. Chan Kwok Sun, Dennis, aged 56, was appointed as an Executive Director in November 2004. Mr. Chan has accumulated more than 23 years of execution experience in sales, marketing and production in the entertainment business, including with Disney and Era International Film and Distribution (Taiwan) and as an independent movie producer. He is currently the honorary committee of Hong Kong Performing Artists Guild.

Mr. Chan has been a non-executive director of China Chief Cable TV Group Limited, a GEM listed company engaging in the businesses of premastering, media production, playout and audiovisual technology, since 2001.

Mr. Law Kwok Keung, aged 58, was appointed as an Executive Director in November 2004. Mr. Law has been involved in film production since the 1980s, and has substantial experience in this field. He had participated in the production of more than 50 films, including classic pieces Rouge (胭脂扣), Police Story II (警察故事II), Inspectors Wear Skirts I&II (霸王花I、II) and God of Gamblers I & II (賭俠I、II). He was a production planning director of Win's Movie Production Limited for the period from 1984 to 1996, during which he worked on the production of various types of movies such as romance, action, costume and comedy etc. He had also worked for China Star Entertainment Limited, Panoroma Distributions Company Limited and Emperor Multimedia Group as film producer.

Biography of Directors and Senior Management

Independent Non-executive Director

Mr. Lam Kin Kau, Mark, aged 51, was appointed as an independent non-executive Director on 31 March 2005. Mr. Lam is a practicing certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants of United Kingdom. Mr. Lam is also members of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators respectively. He has over 20 years of experience in professional auditing, accounting and financial management. Mr. Lam is currently the sole proprietor of Messrs. Mark K. Lam & Co., certified public accountants, which is specialized in providing professional auditing and corporate advisory services to various private and public entities. Mr. Lam has also held independent non-executive directorship in Haier- CCT Holdings Limited since 2000 and independent non-executive directorship of Uni-Bio Science Group Limited (formerly known as New Spring Holdings Limited) from 2004 to 2005.

Mr. Law Kwok Leung, aged 45, was appointed as an independent non-executive Director on 31 March 2005. Mr. Law has 22 years of experience in the advanced technology and is the Chief Executive Officer and an executive director of China Chief Cable TV Group Limited. Mr. Law holds an honoured Bachelor of Science degree in Mathematics with Operational Research from the University of London and a Master's degree in Business Administration from the University of Greenwich. Mr. Law is also a member of the Chartered Institute of Marketing, a fellow member of the Institute of Analysts and Programmers and full member of the Institute of Management.

Mr. Fung Wing Keung, aged 51, was appointed as an independent non-executive Director on 31 March 2005. Mr. Fung has over 16 years of experience in entertainment and video industry. He is currently the General Manager of a video distribution company.

Senior Management

Mr. Au Yeung Chung Bong, aged 30, is the qualified accountant of the Company. He is mainly responsible for the accounting and financial management of the Company. Mr. Au Yeung is a Certified Practising Accountant of CPA Australia and has over 6 years of experience in accounting and auditing.

Report of the Directors

The Directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 30 June 2006.

Change of Company Name

Pursuant to a special resolution adopted by shareholders on 30 December 2005, the name of the Company has been changed from B&S Entertainment Holdings Limited to BIG Media Group Limited.

Principal Activities

The current principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Appropriations

The Group's loss for the year ended 30 June 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 46. The Directors do not recommend the payment of any dividend in respect of the year.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 47 to 48. This summary does not form part of the audited financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 21 to 22.

Distributable Reserves

As at 30 June 2006, the Company had no distributable reserves available for distribution to shareholders of the Company (2005: nil).

Property, Plant and Equipment

Movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Report of the Directors

Share Capital and Share Options

Movements in the Company's share capital and share options during the year are set out in notes 24 and 25 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of 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 shares during the year.

Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier 60%
– five largest suppliers combined 84%

Sales

– the largest customer 91%
– five largest customers combined 100%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' interests and Short Positions in Shares

As at 30 June 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	42,600,000*	42.6%
Ms. Xiong Jingling	42,600,000*	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 42,600,000 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

Details of the Company's share option scheme (the "Scheme") are set out in note 25 to the financial statements. Other than that set out in the share option scheme, at no time during the year was the 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.

Directors

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Mr. Lee Man Kwong
Mr. Chan Kwok Sun, Dennis
Ms. Xiong Jingling
Mr. Law Kwok Keung

Independent non-executive Directors:

Mr. Lam Kin Kau, Mark
Mr. Fung Wing Keung
Mr. Law Kwok Leung

The directors are subject to retirement and re-election by rotation in the forthcoming annual general meeting in accordance with the Company's Articles of Association.

Report of the Directors

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 8 of the annual report.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests and Short Positions of Shareholders Disclosable Under the SFO

So far is known to any Director of the Company, as at 30 June 2006, shareholders (other than Directors of the Company) who had interests or 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.

Directors' interest in Competing Business

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which compete or may compete with the business of the Group.

Connected transactions

The related party transactions as disclosed in note 28 to the financial statements also constitute connected transactions under the GEM Listing Rules and are exempted from reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 20 of the GEM Listing Rules.

Corporate Governance Report

Corporate governance report of the Company is set out on pages 14 to 16 of the annual report.

Auditors

The accounts of the Company for the year ended 30 June 2003 was audited by Ernst & Young. In July 2004, Ernst & Young resigned as auditors of the Company and CCIF CPA Limited (formerly known as Charles, Chan, Ip & Fung CPA Ltd.) were appointed as the auditors of the Company in August 2004 to fill up the casual vacancy. In September 2005, CCIF CPA Limited resigned and Hopkins CPA Limited were appointed as the auditors of the Company to fill up the casual vacancy. The financial statements for the year ended 30 June 2006 have been audited by Hopkins CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Lee Man Kwong
Chairman

Hong Kong, 28 August 2006

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 30 June 2006, with the exception of the deviation in respect of the appointment term of non-executive directors as mentioned below.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the year ended 30 June 2006.

Board of Directors

The directors acknowledge their responsibilities for the preparation of accounts, which shall give a true and fair view of the state of affairs of the Group. Details of the basis of preparation of accounts are set out in note 1 to the accounts. The Board is also responsible for formulating the Group's long-term strategy, determining and approving the Group's significant transactions and supervising the management to ensure through implementation of the Group's policies and effective performance of their duties. Other decisions are to be delegated to management. As at 30 June 2006, the Board comprised six Directors, including three executive Directors (including the Chairman) and three Independent non-executive Directors. Biographies of the Directors are set out in pages 7 to 8.

There is no non-compliance with rules 5.05(1) and (2) of the GEM Listing Rules and there is no relationship among members of the Board and no relationship among the members of the Board.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to retirement by rotation in accordance with Articles of Association of the Company. Accordingly the Company considers that sufficient measures have been taken to dealt with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

Each of the Independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Board held a board meeting for each quarter. Details of the attendance of the Board are as follows:

Executive Directors	**Attendance**
Mr. Lee Man Kwong (Chairman)	4/4
Mr. Chan Kwok Sun, Dennis (Chief Executive Officer)	4/4
Ms. Xiong Jingling	0/4
Mr. Law Kwok Keung	4/4
Independent non-executive Directors	
Mr. Lam Kin Kau, Mark	4/4
Mr. Fung Wing Keung	4/4
Mr. Law Kwok Leung	4/4

Chairman and the Chief Executive Officer

Under the code provision A.2.1, the roles of chairman and chief executive officer are separate and are not performed by the same individual. The Chairman is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The Chief Executive Officer, supported by the senior management, is responsible for managing the Group's responsibilities, the business, implementing major strategies, making day-to-day decisions and coordinating overall business operations.

Nomination of Directors

No nomination committee was established by the Company.

The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or any additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

Corporate Governance Report

Board Committees

To assist the Board in discharge of its duties, the Board is supported by two board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

1. Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the Audit committee are (a) to review the group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditors of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process and internal control procedures of the Group. The audit committee consists of all of the Company's independent non-executive directors, namely Mr. Lam Kin Kau, Mark, Mr. Fung Wing Keung and Mr. Law Kwok Leung. The chairman of the committee is Mr. Lam Kin Kau, Mark.

The audit committee held four meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Independent non-executive Directors	Attendance
Mr. Lam Kin Kau, Mark	4/4
Mr. Fung Wing Keung	4/4
Mr. Law Kwok Leung	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 30 June 2006 have been reviewed by the audit committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

2. Remuneration Committee

The Company has established the Remuneration Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary duties are (a) make remunerations to the Board on the Company's policy and structure for all remuneration of directors and senior management; and (b) establish a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee consists of all of the Company's independent non-executive directors, namely Mr. Lam Kin Kau, Mark, Mr. Fung Wing Keung and Mr. Law Kwok Leung. The chairman of the committee is Mr. Lam Kin Kau, Mark.

In August 2006, the Committee met to discuss the remuneration related matters. Mr. Lam Kin Kau, Mark, Mr. Fung Wing Keung and Mr. Law Kwok Leung attended the meeting. During the meeting, the performance of executive directors was assessed, and the remuneration of whom and the policy of which was discussed and approved.

Auditors' Remuneration

The statement by the auditors of the Company about their reporting responsibilities is set out in the auditors' report on page 17 to 18. During the year, auditor's remuneration for audit services and professional services regarding Rights Issue were HK$145,000 and HK$60,000 respectively. Save as disclosed above, there was no other significant non-audit services assignment undertaken by the external auditors during the year.

Report of the Auditors

HOPKINS
(Incorporating the business of Albert Lam & Co. CPA)

HOPKINS CPA LIMITED
• 25/F Man Yee Building
• 68 Des Voeux Road Central
• Hong Kong

To the members
BIG Media Group Limited
(Formerly Known as B&S Entertainment Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 19 to 46 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 judgements 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.

We planned and performed 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. 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.

Report of the Auditors

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and of its loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Certified Public Accountants
Albert Lam
Practising Certificate Number P02080

Hong Kong, 28 August 2006

Consolidated Income Statement

For the year ended 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Sales	8	**4,103**	1,763
Cost of goods sold		**(4,385)**	(5,704)
Gross loss		**(282)**	(3,941)
Other revenues	9	**453**	262
Selling and marketing costs		**–**	(253)
Administrative expenses		**(1,478)**	(49,700)
Loss from operating activities	10	**(1,307)**	(53,632)
Finance costs	11	**(1,259)**	(1,659)
Loss before income tax		**(2,566)**	(55,291)
Income tax expense	12	**(595)**	5
Loss for the year attributable to:			
Equity holders of the Company	14	**(3,161)**	(55,286)
Loss per share for loss attributable to the equity holders of the Company during the year			Restated
– basic	15	**(HK4.85 cents)**	(HK2.76 dollars)
– diluted	15	**N/A**	N/A

Consolidated Balance Sheet

As at 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**–**	–
Film rights and films in progress	*19*	**611**	611
Deferred income tax assets	*18*	**1,235**	1,830
		1,846	2,441
Current assets			
Film rights and films in progress	*19*	**2,772**	2,815
Accounts receivable	*21*	**159**	–
Prepayments, deposits and other receivables		**2,755**	274
Cash and cash equivalents		**1,608**	85
		7,294	3,174
LIABILITIES			
Current liabilities			
Deposits received		**(1,440)**	(1,772)
Accounts payable	*22*	**(457)**	(170)
Accrued liabilities and other payables		**(2,188)**	(2,640)
Bank overdrafts, secured		**(1,640)**	(6,118)
Borrowings	*23*	**(11,887)**	(7,640)
		(17,612)	(18,340)
Net current liabilities		**(10,318)**	(15,166)
Total assets less current liabilities		**(8,472)**	(12,725)
Non-current liabilities			
Borrowings	*23*	**(3,501)**	(11,000)
NET LIABILITIES		**(11,973)**	(23,725)
CAPITAL AND RESERVES			
Issued capital	*24*	**20,000**	4,000
Reserves		**(31,973)**	(27,725)
		(11,973)	(23,725)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2006

Group

	Attributable to equity holders of the Company				
	Issued capital	**Share premium account**	**Capital reserves**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2004 and 1 July 2004	4,000	20,027	17,590	(10,056)	31,561
Loss for the year	–	–	–	(55,286)	(55,286)
At 30 June 2005 and 1 July 2005	4,000	20,027	17,590	(65,342)	(23,725)
Proceeds/issuing expenses from rights issued (Note 24)	16,000	(1,087)	–	–	14,913
Loss for the year	–	–	–	(3,161)	(3,161)
At 30 June 2006	20,000	18,940	17,590	(68,503)	(11,973)

Statement of Changes in Equity

For the year ended 30 June 2006

Company

	Attributable to equity holders of the Company			
	Issued Capital	**Share premium account**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2004 and 1 July 2004	4,000	20,027	(1,610)	22,417
Loss for the year	–	–	(27,301)	(27,301)
At 30 June 2005 and 1 July 2005	4,000	20,027	(28,911)	(4,884)
Proceeds/issuing expenses from rights issued (Note 24)	16,000	(1,087)	–	14,913
Loss for the year	–	–	(16,221)	(16,221)
At 30 June 2006	20,000	18,940	(45,132)	(6,192)

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Loss before taxation		**(2,566)**	(55,291)
Adjustments for:			
Finance costs	*11*	**1,259**	1,659
Interest income		**(59)**	(10)
Amortisation of film rights		**3,073**	5,295
Depreciation		**–**	17
Impairment losses on film rights and films in progress		**–**	20,474
Loss on disposal of property, plant and equipment		**–**	13
Provision for irrecoverable deposits and prepayments		**–**	15,400
Provision for doubtful debts		**–**	8,556
Operating profit/(loss) before working capital changes		**1,707**	(3,887)
Increase in film rights and films in progress		**–**	(63)
(Increase)/decrease in accounts receivable		**(159)**	482
Increase in prepayments, deposits and other receivables		**(2,481)**	(116)
(Decrease)/increase in deposits received		**(332)**	560
Increase in accounts payable		**287**	81
(Decrease)/increase in accrued liabilities and other payables		**(452)**	1,704
Decrease in an amount due to a director		**–**	(9,046)
Increase in other loan		**–**	11,000
Cash (used in)/generated from operations		**(1,430)**	715
Hong Kong profits tax paid		**–**	(11)
Net cash (outflow)/inflow from operating activities		**(1,430)**	704
Cash flows from investing activities			
Acquisition of film	*19*	**(3,030)**	–
Interest received		**59**	10
Net cash (used in)/generated from investing activities		**(2,971)**	10
Cash flows from financing activities			
Proceeds from rights issue		**16,000**	–
Share issue expenses		**(1,087)**	–
Proceeds from borrowings		**13,122**	5,439
Repayments of borrowings		**(16,496)**	(3,900)
Interest paid		**(1,137)**	(1,558)
Net cash generated from/(used in) financing activities		**10,402**	(19)
Net increase in cash and cash equivalents		**6,001**	695
Cash and cash equivalents at beginning of the year		**(6,033)**	(6,728)
Cash and cash equivalents at end of the year		**(32)**	(6,033)
Analysis on cash and cash equivalents			
Cash and bank deposits		**1,608**	85
Bank overdrafts		**(1,640)**	(6,118)
		(32)	(6,033)

Balance Sheet

As at 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*20*	**1,755**	295
Current assets			
Prepayments, deposits and other receivables		**2,735**	56
Cash and cash equivalents		**1,523**	2
		4,258	58
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables		**(1,526)**	(1,464)
Borrowings	*23*	**(10,679)**	(3,773)
		(12,205)	(5,237)
Net current liabilities		**(7,947)**	(5,179)
NET LIABILITIES		**(6,192)**	(4,884)
CAPITAL AND RESERVES			
Issued capital	*24*	**20,000**	4,000
Reserves		**(26,192)**	(8,884)
		(6,192)	(4,884)

Notes to the Consolidated Financial Statements

30 June 2006

1. General information

(a) Principal Activities

BIG Media Group Limited (the "Company") and its subsidiaries (together the "Group") involve in the production and sales of videos and films, and the licensing of video and copyrights/film rights. There is no change in the Group's principal activities during the year.

The Company was incorporated in the Cayman Islands on 11 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is located at 5/F, Fook Hing Factory Building, 33 Lee Chung Street, Chaiwan, Hong Kong.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 August 2006.

(b) Going Concern

The financial statements have been prepared by the directors with due care on a going concern basis, notwithstanding the fact that the Group had net loss of approximately HK$3,161,000 for the year ended 30 June 2006 and net current liabilities of HK$10,318,000 and deficiency of shareholders' fund of HK$11,973,000 as at 30 June 2006. A substantial shareholder of the Company has agreed to provide financial support to the Group to maintain the Group as a going concern at least up to 30 June 2007. A major creditor of the Group has agreed, upon negotiation, not to demand for repayment of loan of HK$9,750,000 from the Group before 1 July 2007. Consequently, the financial statements have been prepared on a going concern basis. The validity of the Group to carry on its business as a going concern is dependent upon future profitable operations of the Group and the adequate funds being available to the Group.

Should the Group be unable to continue its business as a going concern, adjustments would have been made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the financial statements.

2. Adoption of new and revised Hong Kong financial reporting standards

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of BIG Media Group Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In the current year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of above HKASs has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

3. Effects of the adoption of new accounting policies

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors expect that the application of these standards or interpretations will not have any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS – Int 4	Determining whether an Arrangement contains a lease[2]

1. Effective for annual periods beginning on or after 1 January 2007.

2. Effective for annual periods beginning on or after 1 January 2006.

4. Principal accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(a) Basis of Consolidation

The merger basis of accounting is used to account for the subsidiaries acquired by the Group before 1 January 2005. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries.

The purchase method of accounting is used to account for the subsidiaries by the Group on or after 1 January 2005. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements.

In the opinion of the directors, the consolidated financial statements prepared on the aforesaid basis present more fairly the results and state of affairs of the Group as a whole.

(b) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital or has the power to govern the financial and operating policies.

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 by the Company on the basis of dividend received and receivable.

4. Principal accounting policies *(Continued)*

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, 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 capitalized as an additional cost of that asset.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Office equipment	4 years
– Furniture and fixtures	4 years
– Plant and machinery	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(d) Film Rights, Films in progress and Sub-licensing Rights

(i) Film Rights

Films produced or acquired by the Group are stated at production or acquisition costs less amortization and any foreseeable losses. Costs represent the carrying amount transferred from films in progress upon their completion or the purchase price of the film rights, and are amortized at rates calculated to write off these costs in proportion to the expected revenues from the distribution and licensing of the films. Provisions are made against the carrying amounts of films if the carrying amounts exceed their expected future revenue.

(ii) Films in Progress

Films in progress are stated at cost less impairment losses. Costs include all direct cost associated with the production of films. Provisions are made against costs which are in excess of future revenue expected to be generated by these films. The costs of films in progress are transferred to film rights upon completion.

(iii) Sub-licensing Rights

Licence fees paid to acquire the rights for the sub-licensing of films produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the release of these purchased films, the relevant portion of the licence fees are charged to the income statement on a systematic basis, in proportion to the expected revenues and the underlying licence periods. Provisions are made against the carrying amounts of the sub-licensing rights if the carrying amounts exceeds their expected future revenue.

4. Principal accounting policies *(Continued)*

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Accounts receivables and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognized in the income statement.

(g) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Borrowings are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4. Principal accounting policies *(Continued)*

(k) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(l) Employee benefits

(i) Retirement scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Share option scheme

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(m) Revenue recognition

(i) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) Income from licensing and sub-licensing of distribution rights over films

Revenue is recognised when the Group's entitlement to such payments has been established, which, subject to the terms of the relevant agreements, is usually upon delivery of the master tapes to the customers; and

(iii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. Principal accounting policies *(Continued)*

(n) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) 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, or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(i) Credit risk

The Group manages its credit risk associated with trade receivables through the application of credit approvals, credit ratings and monitoring procedures.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and credit lines to meet liquidity requirements.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. Financial risk management *(Continued)*

5.2 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Critical accounting estimates and judgements

6.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of film rights*

The Group tests annually whether film rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss, representing the difference between the carrying amount and the recoverable amount, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the disposal of an asset in an arm's length transaction less the costs of the disposal, 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.

7. Segment information

The Group is principally engaged in the production of video and films, the 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 year, no analysis of geographical segment assets information is presented.

Geographical segments

The following tables present revenue and loss information for the Group's geographical segments.

	Hong Kong		Elsewhere in PRC		Asia excluding Hong Kong and elsewhere in PRC		Others		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue:										
Sales to external customers	**4,103**	1,456	**–**	–	**–**	21	**–**	286	**4,103**	1,763
Segment results	**(1,760)**	(51,398)	**–**	–	**–**	(4)	**–**	(2,492)	**(1,760)**	(53,894)
Other revenues									**394**	252
Interests income									**59**	10
Finance costs									**(1,259)**	(1,659)
Loss before taxation									**(2,566)**	(55,291)
Taxation									**(595)**	5
Loss attributable to shareholders									**(3,161)**	(55,286)

8. Turnover

Turnover represents licensing and sub-licensing fee income and the net invoiced value of goods sold, net of returns and trade discounts.

9. Other revenues

	2006 HK$'000	2005 HK$'000
Interest income	**59**	10
Others	**394**	252
	453	262

10. Loss from operating activities

The Group's loss from operating activities is stated after charging and (crediting) the following items:

	2006 HK$'000	2005 HK$'000
Auditor's remuneration		
– current year	**240**	131
– over provision in prior years	**(35)**	–
	145	131
Cost of film and sub-licensing rights*	**4,385**	5,686
Cost of inventories sold	**–**	18
Depreciation	**–**	17
Provision for doubtful debts	**–**	8,556
Impairment losses on film rights and films in progress	**–**	20,474
Provision for irrecoverable deposits and equipment	**–**	15,400
Loss on disposal of property, plant and equipment	**–**	13
Staff costs (including directors' remuneration) *(Note 13)*	**910**	2,384
Minimum lease payments under operating leases in respect of land and buildings to:		
– a related company	**–**	100

* The cost of film and sub-licensing rights for the year include amortisation of film rights of approximately HK$3,073,000 (2005: HK$5,295,000).

11. Finance costs

	2006 HK$'000	2005 HK$'000
Interest expense:		
– Interest on bank overdrafts	**354**	517
– Interest on bank loan	**144**	–
– Interest on short term loan and shareholder's loan	**761**	1,142
	1,259	1,659

12. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

	2006 HK$'000	2005 HK$'000
Hong Kong profits tax	**–**	–
Overprovision in prior years	**–**	(5)
Deferred income tax assets *(Note 18)*	**595**	–
	595	(5)

The charge/(credit) for the year can be reconciled to the loss per the income statement as follows:

	2006 HK$'000	2005 HK$'000
Loss before taxation	**(2,566)**	(55,291)
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**(449)**	(9,675)
Tax effect on non-deductible expenses	**121**	6,800
Tax effect on unused tax losses not recognised	**923**	2,870
Overprovision in prior years	**–**	(5)
Tax effect on deductible temporary differences not recognised	**–**	5
	595	(5)

13. Staff costs (including directors' emoluments)

	2006 HK$'000	2005 HK$'000
Wages and salaries	**894**	2,331
Pension costs – defined contribution plans	**16**	53
	910	2,384

(a) Directors' and senior management's emoluments

The directors' remuneration for the year ended 30 June 2006 is set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Chan Kwok Sun, Dennis	–	348	10	358
Mr. Lee Man Kwong	–	360	–	360
Mr. Law Kwok Keung	15	–	–	15
* Mr. Lam Kin Kau, Mark	15	–	–	15
	30	708	10	748

The directors' remuneration for the year ended 30 June 2005 is set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Siu Luen Fat	–	280	4	284
Mr. Siu Kin Fat	–	60	3	63
Mr. Siu Kuen Fat	–	60	3	63
* Ms. Chiu Kam Hing, Kathy	10	–	–	10
* Mr. Cheung Wai Bun, Charles	10	–	–	10
* Mr. Li Chi Fai	10	–	–	10
	30	400	10	440

Notes:

No director waived or agreed to waive any of their emoluments in respect of two years ended 30 June 2006 and 2005.

The directors' emoluments are determined by the Board with reference to their contribution in terms of time, effort and their expertise and will be reviewed on an annual basis.

* *Independent non-executive directors*

13. Staff costs (including directors' emoluments) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: four) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**156**	1,320
Retirement scheme contributions	**6**	24
	162	1,344

The emoluments of each of the remaining non-director, highest paid employees fell within the band of Nil to HK$1,000,000 for each of the two years ended 30 June 2006 and 2005.

14. Loss attributable to equity holders of the Company

The net loss from ordinary activities attributable to equity holders of the Company dealt with in the financial statements of the Company is HK$16,221,000 (2005: net loss of HK$27,301,000).

15. Loss per share

The basic loss per share for the year is calculated based on the the Group's loss from ordinary activities attributable to shareholders of HK$3,161,000 (2005: HK$55,286,000), and the weighted average of 65,247,725 (restated 2005: 20,000,000 to reflect the effect of share consolidation in November 2005) ordinary shares in issue during the year.

Diluted earnings per share amounts for each of the two years ended 30 June 2006 and 2005 have not been disclosed as no diluting event existed during these years.

16. Dividends

No dividend was paid or proposed for the year ended 30 June 2006, nor has any dividend been proposed since the balance sheet date (2005: Nil).

17. Property, plant and equipment

	Group			
	Office Equipment HK$'000	**Furniture and fixtures** HK$'000	**Plant and machinery** HK$'000	**Total** HK$'000
Cost				
At 1 July 2004	144	198	339	681
Disposals	(64)	(48)	(12)	(124)
At 30 June 2005	80	150	327	557
Accumulated depreciation				
At 1 July 2004	127	189	335	651
Change for the year	4	9	4	17
Written back on disposals	(51)	(48)	(12)	(111)
At 30 June 2005	80	150	327	557
Net Book Value				
At 30 June 2005	–	–	–	–
Cost				
At 1 July 2005 and 30 June 2006	80	150	327	557
Accumulated depreciation				
At 1 July 2005 and 30 June 2006	80	150	327	557
Net Book Value				
At 1 July 2005 and 30 June 2006	–	–	–	–

At 30 June 2006 and 30 June 2005, the Company had no property, plant and equipment.

18. Deferred income tax assets

The movement on the deferred income tax assets account is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**1,830**	1,830
Transfer to income statement *(Note 12)*	**(595)**	–
End of the year	**1,235**	1,830
Provided in respect of:		
Accelerated depreciation allowances	**15**	15
Unused tax losses	**1,220**	1,815
	1,235	1,830

At 30 June 2006 and 30 June 2005, there was no material unprovided deferred income tax. The Group has not taken into account of HK$687,000 (2005: Nil) of deferred income tax assets arising from tax losses as it is not certain that the benefit could be realised in the foreseeable future.

19. Film rights and films in progress

	Group	
	2006	2005
	HK$'000	HK$'000
Film rights	**2,772**	2,686
Films in progress	**–**	17,241
Sub-licensing rights	**611**	3,973
	3,383	23,900
Less: Impairment losses	**–**	(20,474)
	3,383	3,426
Less: Amounts classified as current assets	**(2,772)**	(2,815)
Non-current portion	**611**	611

19. Film rights and films in progress *(Continued)*

	Film Rights HK$'000	Films in Progress HK$'000	Sub-licensing Rights HK$'000	Total HK$'000
At 30 June 2005	2,686	17,241	3,973	23,900
Impairment losses	–	(17,241)	(3,233)	(20,474)
Net book value at 30 June 2005	2,686	–	740	3,426
At 1 July 2005	2,686	–	740	3,426
Addition	3,030	–	–	3,030
Amortisation	(2,944)	–	(129)	(3,073)
Net book value at 30 June 2006	2,772	–	611	3,383

20. Interests in subsidiaries

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost:	**100**	100
Amounts due from subsidiaries	**40,912**	25,263
Less: Provision for doubtful debts	**(39,000)**	(24,500)
Amounts due to subsidiaries	**(257)**	(568)
	1,755	295

The amount due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20. Interests in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries as at 30 June 2006:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Best Faith (Hong Kong) Limited (Trading as B&S Films Creation Works House)	Hong Kong, limited liability company	Production and sale of videos and films, and licensing of videos and copyrights/film rights in Hong Kong	3,000 Ordinary shares of HK$1 each	100%
Fleur Group Limited	British Virgin Island, limited liability company	Holding of copyrights in Hong Kong	15,000 Ordinary shares of US$1 each	100%
BIG Pictures Limited	Hong Kong, limited liability company	Production of videos and films in Hong Kong	1 Ordinary share of HK$1 each	100%

21. Accounts receivable

An aged analysis of the accounts receivable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006 **HK$'000**	2005 HK$'000
Within 30 days	**159**	–
Between 31 to 60 days	**–**	–
Between 61 to 90 days	**–**	–
Between 91 to 120 days	**–**	–
Over 120 days	**12,046**	12,046
	12,205	12,046
Less: Provision for doubtful debts	**(12,046)**	(12,046)
	159	–

The credit terms offered by the Group are in accordance with the terms specified in the agreements entered into with the customers. For the customers who have a long established business relationship with the Group and who are assessed to have good creditworthiness, a credit term ranging from 30 to 90 days is offered, subject to the directors' approval.

22. Accounts payable

An aged analysis of the accounts payable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**365**	18
Between 31 to 60 days	**–**	12
Between 61 to 90 days	**–**	48
Over 90 days	**92**	92
	457	170

23. Borrowings

	Group	
	2006	2005
	HK$'000	HK$'000
Non-current		
Bank loan, secured	**1,031**	–
Other loan, unsecured	**2,470**	11,000
	3,501	11,000
Current		
Bank loan, secured	**936**	–
Shareholder's loan, unsecured	**1,201**	4,640
Short term loan, secured	**9,750**	3,000
	11,887	7,640
Total borrowings	**15,388**	18,640

23. Borrowings *(Continued)*

	Company	
	2006	2005
	HK$'000	HK$'000
Current		
Shareholder's loan, unsecured	**929**	773
Short term loan, secured	**9,750**	3,000
Total borrowings	**10,679**	3,773

Other loan is unsecured, interest-free and it is the intention of the lender not to demand for repayment in the foreseeable future.

The bank overdrafts and bank loan were secured by a corporate guarantee from the Company and the personal guarantees from certain Directors which resigned in prior year.

Shareholder's loan is unsecured, interest bearing at 5% per annum and repayable on demand.

As at 30 June 2006, the short term loan was secured by all property and assets of several subsidiaries of the Group (2005: secured by all property and assets of the Company).

As at 30 June 2006, the Group's borrowings were repayable as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**11,887**	7,640
In the second year	**3,501**	11,000
In the third to fifth year	**–**	–
	15,388	18,640

24. Share capital

		Number of ordinary shares of HK$0.2 each	Number of ordinary shares of HK$0.01 each	Value HK$'000
Authorised:				
At 1 July 2005		–	3,000,000,000	30,000
At 30 June 2006	*Note (a)*	150,000,000	–	30,000
Issued and fully paid				
At 1 July 2005		–	400,000,000	4,000
Share Consolidation	*Note (a)*	20,000,000	–	4,000
Issue of new shares	*Note (b)*	80,000,000	–	16,000
At 30 June 2006		100,000,000	–	20,000

Note (a): On 16 November 2005, the Company has implemented the Share Consolidation pursuant to which every 20 Existing Shares of HK$0.01 each be consolidated into one Consolidated Share of HK$0.20.

Note (b): On 5 December 2005, the Company raised HK$16 million before expenses by issuing 80,000,000 Rights Shares at the Subscription Price of HK$0.20 per Rights Share on the basis of four Rights Shares for every one Consolidated Share. The new shares rank pari passu with the existing shares.

25. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, and suppliers of goods or services to the Group. The Scheme became effective on 22 July 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12 month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

25. Share Option Scheme *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Exchange closing price of the Company's share for five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meeting.

No share option has been granted by the Company under the scheme up to the date of approval of these financial statements.

26. Contingent liabilities

In last financial year, there was a pending litigation against the Group in respect of salaries arrears to the amount of approximately HK$800,000. The Company is of the view that the claims are without merit and has procured appropriate legal actions for counter-claim against the relevant parties for damages for breach of contracts to amount of approximately HK$1,600,000. Therefore, no provision has been made for the claim in the financial statements of the Group for the year ended 30 June 2006 (2005: no provision).

27. Commitments

At 30 June 2006 and 30 June 2005, The Group and the Company did not have any significant commitments.

28. Related-party transactions

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Group also had the following significant transactions with related parties during the year:

(i) Operating lease rental

	2006 HK$'000	2005 HK$'000
Office operating lease rental in respect of land & building:		
– Lightal Limited	**–**	100

(ii) The Group's banking facilities were secured by the unlimited personal guarantees from certain Directors who resigned in 2005.

28. Related-party transactions *(Continued)*

(iii) Transactions with a shareholder

	2006 **HK$'000**	2005 HK$'000
Loan granted	**584**	5,439
Loan settlement paid	**4,145**	900
Interest expenses	**167**	101

29. Comparative figures

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

Financial Summary

30 June 2006

The following is a summary of the published consolidated results and of the assets and liabilities of the Group, prepared on the basis set out in notes 1 to 2 below:

Results

	Year ended 30 June				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(as restated)	
TURNOVER	**4,103**	1,763	20,593	28,023	23,872
Cost of sales	**(4,385)**	(5,704)	(7,724)	(17,118)	(17,337)
Gross (loss)/profit	**(282)**	(3,941)	12,869	10,905	6,535
Other revenues	**453**	262	51	118	284
Selling and distribution costs	**–**	(253)	(1,371)	(3,005)	(1,395)
Administrative expenses	**(1,478)**	(49,700)	(8,570)	(5,501)	(3,931)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	**(1,307)**	(53,632)	2,979	2,517	1,493
Finance costs	**(1,259)**	(1,659)	(750)	(438)	(38)
(LOSS)/PROFIT BEFORE TAXATION	**(2,566)**	(55,291)	2,229	2,079	1,455
Taxation	**(595)**	5	(651)	(236)	(18)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(3,161)**	(55,286)	1,578	1,843	1,437

Financial Summary

30 June 2006

Assets and Liabilities

	As at 30 June				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000 (as restated)	HK$'000
Non-current assets	**1,846**	2,441	11,406	12,013	2,093
Current assets	**7,294**	3,174	54,815	46,935	12,359
Current liabilities	**(17,612)**	(18,340)	(25,614)	(19,919)	(12,937)
Net current (liabilities)/assets	**(10,318)**	(15,166)	29,201	27,016	(578)
Non-current liability	**(3,501)**	(11,000)	(9,046)	(9,046)	–
	(11,973)	(23,725)	31,561	29,983	1,515

Notes:

1. The summary of combined results of the Group includes the results of the companies now comprising the Group as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of incorporation of the companies where this is a shorter period, and is presented on the basis set out in note 4(a) to the financial statements. The consolidated results of the Group for the year ended 30 June 2006 are also set out on page 20 of the audited financial statements.

2. The consolidated results of the Group for the year ended 30 June 2003 and consolidated balance sheet as at 30 June 2003 have been extracted from the audited financial statement after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 12 (Revised). No restatement was made in 2002 in respect of the adoption of SSAP12 (Revised) as the Directors considered it is not cost effective to do so.