

# **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)

## **INTERIM REPORT**

**2006 — 2007**

For the three months and six months ended  
31 December 2006

\* For identification purpose only

**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.

*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 six months ended 31 December 2006 together with comparative unaudited figures for the corresponding period of 2005 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 31 December		For the six months ended 31 December	
		2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>	2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>
TURNOVER	2	477	488	3,546	728
Cost of sales		<u>(198)</u>	<u>(546)</u>	<u>(3,243)</u>	<u>(1,226)</u>
Gross loss		279	(58)	303	(498)
Other revenue	2	–	74	3	74
Selling and distribution costs		–	–	(543)	–
Administrative expenses		<u>(461)</u>	<u>(484)</u>	<u>(800)</u>	<u>(544)</u>
LOSS FROM OPERATING ACTIVITIES	3	(182)	(468)	(1,037)	(968)
Finance costs	4	<u>(334)</u>	<u>(253)</u>	<u>(623)</u>	<u>(690)</u>
LOSS BEFORE TAXATION		(516)	(721)	(1,660)	(1,658)
Taxation	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(516)</u>	<u>(721)</u>	<u>(1,660)</u>	<u>(1,658)</u>
			(Restated)		(Restated)
LOSS PER SHARE	6	<u>(0.52 cent)</u>	<u>(1.73 cents)</u>	<u>(1.66 cents)</u>	<u>(5.36 cents)</u>
Basic					

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<i>Notes</i>	<b>31 December 2006 (unaudited) HK\$'000</b>	30 June 2006 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets	5	1,235	1,235
Film rights and films in progress	8	<u>547</u>	<u>611</u>
		<u>1,782</u>	<u>1,846</u>
<b>CURRENT ASSETS</b>			
Film rights and films in progress	8	1,054	2,772
Accounts receivable	9	—	159
Prepayments, deposits and other receivables		2,501	2,755
Cash and bank balances		<u>169</u>	<u>1,608</u>
		<u>3,724</u>	<u>7,294</u>
<b>CURRENT LIABILITIES</b>			
Deposits received		(2,128)	(1,440)
Accounts payable	10	(457)	(457)
Accrued liabilities and other payables		(2,164)	(2,188)
Bank overdrafts, secured	11	(689)	(1,640)
Borrowings		<u>(10,650)</u>	<u>(11,887)</u>
		<u>(16,088)</u>	<u>(17,612)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(12,364)</u>	<u>(10,318)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(10,582)</u>	<u>(8,472)</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<u>(3,051)</u>	<u>(3,501)</u>
		<u>(13,633)</u>	<u>(11,973)</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	20,000	20,000
Reserves		<u>(33,633)</u>	<u>(31,973)</u>
		<u>(13,633)</u>	<u>(11,973)</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>For the six months ended 31 December</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<b>1,442</b>	(2,788)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	<b>(1,690)</b>	10,531
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(240)</b>	—
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(488)</b>	7,743
CASH AND CASH EQUIVALENTS AT 1 JULY	<b>(32)</b>	(6,033)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<b>(520)</b>	1,710
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>169</b>	6,490
Bank overdrafts, secured	<b>(689)</b>	(4,780)
	<b>(520)</b>	1,710

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Issued share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 July 2005	4,000	20,027	17,590	(65,342)	(23,725)
Proceeds/issuing expenses from rights issue	16,000	(938)	–	–	15,062
Loss for the period	–	–	–	(1,658)	(1,658)
At 31 December 2005	<u>20,000</u>	<u>19,089</u>	<u>17,590</u>	<u>(67,000)</u>	<u>(10,321)</u>
At 1 July 2006	20,000	18,940	17,590	(68,503)	(11,973)
Loss for the period	–	–	–	(1,660)	(1,660)
At 31 December 2006	<u>20,000</u>	<u>18,940</u>	<u>17,590</u>	<u>(70,163)</u>	<u>(13,633)</u>

Notes:

**1. Basis of preparation**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2006. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2007 have no material impact on the Group. This condensed consolidated interim financial information for the half year ended 31 December 2006 has been prepared in accordance with HKAS 34 "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2006.

**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 six months ended 31 December	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover, licensing of film rights	3,546	488
Other revenues	3	74
Total revenues	<u>3,549</u>	<u>562</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. Loss from operating activities**

Loss from operating activities is stated after charging:

	For the six months ended 31 December	
	2006 HK\$'000	2005 HK\$'000
Cost of film and sub-licensing rights	3,243	1,226
Staff costs	456	402

**4. Finance costs**

	For the six months ended 31 December	
	2006 HK\$'000	2005 HK\$'000
Interest on bank overdrafts wholly repayable within one year	49	60
Interest on bank loan	65	-
Interest on short term loan and shareholder's loan	509	630
	<u>623</u>	<u>690</u>

**5. Taxation**

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the period (2005: Nil). The Group has no material unprovided deferred taxation in respect of the period under review (2005: Nil).

**6. Loss per share**

The basic loss per share for the three months and six months ended 31 December 2006 are calculated based on the unaudited consolidated loss attributable to shareholders of the Company of approximately HK\$516,000 and HK\$1,660,000 respectively (2005: approximately HK\$721,000 and HK\$1,658,000 respectively) and on a weighted average number of 100,000,000 shares in issue during the periods (2005: 41,739,130 shares and 30,928,962 shares respectively).

Diluted loss per share for the three months and six months ended 31 December 2006 and 2005 has not been disclosed as no diluting event existed during these periods.

**7. Dividends**

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2006 (2005: Nil).

**8. Film rights and films in progress**

	<b>31 December 2006 (unaudited) HK\$'000</b>	30 June 2006 (audited) HK\$'000
Film rights	1,054	2,772
Sub-licensing rights	546	611
	<u>1,600</u>	<u>3,383</u>
<i>Less: Amounts classified as current assets</i>	<u>(1,054)</u>	<u>(2,772)</u>
Non-current portion	<u><u>546</u></u>	<u><u>611</u></u>

**9. Accounts receivable**

The credit terms offered by the Group are in accordance with the terms specified in the agreements entered into with the customers. An ageing analysis of accounts receivable at the balance sheet date, based on invoice date, is as follows:

	<b>31 December 2006 (unaudited) HK\$'000</b>	30 June 2006 (audited) HK\$'000
Within 30 days	–	159
Over 120 days	12,046	12,046
<i>Less: Provision for doubtful debts</i>	<u>(12,046)</u>	<u>(12,046)</u>
	<u><u>–</u></u>	<u><u>159</u></u>

**10. Accounts payable**

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

	<b>31 December 2006 (unaudited) HK\$'000</b>	30 June 2006 (audited) HK\$'000
Within 30 days	–	365
Between 31 to 60 days	–	–
Between 61 to 90 days	–	–
Over 90 days	457	92
	<u><u>457</u></u>	<u><u>457</u></u>

**11. Bank overdrafts, secured**

The bank overdrafts were secured by corporate guarantees from the Company and certain Directors who resigned in 2005.



## 12. Share capital

	Number of ordinary shares of HK\$0.2 each	Value HK\$
<i>Authorised:</i>		
At 30 June 2006 and at 31 December 2006	<u>150,000,000</u>	<u>30,000,000</u>
<i>Issued and fully paid</i>		
At 30 June 2006 and at 31 December 2006	<u>100,000,000</u>	<u>20,000,000</u>

On 17 November 2006, the Company entered into subscription agreements (the "Subscription Agreements") with three subscribers (the "Subscribers") whereby the Company agreed to issue and allot to the Subscribers an aggregate of 225,000,000 new ordinary shares of the Company at a consideration of HK\$0.2 per share. The gross proceed to be raised under the subscription agreements is HK\$45,000,000. Details of the subscription agreements were set out in the Company's announcement and circular dated 27 November 2006 and 8 January 2007 respectively.

Following the extraordinary general meeting carried on 25 January 2007 (the "EGM"), the resolution in respect of the subscription agreements was passed and as announced by the Company on 1 February 2007, the completion of the subscription agreements is pending the fulfillment of one remaining condition therein.

In the EGM, resolution in respect of the increase in authorised share capital of the Company to HK\$200,000,000 by the creation of an additional 850,000,000 new ordinary shares of HK\$0.2 each was also passed.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the six months ended 31 December 2006 amounted to approximately HK\$3,546,000 (2005: approximately HK\$728,000), representing around 3.9 times increment when compared to last year. This was mainly due to the distribution income earned through successful launch of the film entitled "Love Undercover 3" in June 2006. The Group has 30% interests in the film and the film has generated income through theatrical release and worldwide distribution.

Other than the film release, the Group has also invested in another film that is already at its post-production stage. The Group has also purchased a movie during last year and will launch it as when the market is right. The Group is currently searching for a suitable distribution network for the movie.

As announced in 27 November 2006, the Group has been undergoing a fund raising exercise through share subscription which will expect to generate cash proceeds of approximately HK\$45 million. The capital base of the Group shall improve substantially upon completion of the exercise and such cash shall apply to future investment and working capital of the Group.

## OUTLOOK

The media network has expanded rapidly in recent years and has extended beyond Hong Kong and the traditional markets of PRC and the South East Asia Region to other markets such as Korea and Japan. The Group is expected to explore opportunities and develop in these new markets.

## 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 period.

## GEARING RATIO

The gearing ratio, representing borrowings divided by total assets, was approximately 2.40 as at 31 December 2006 (30 June 2006: 1.87).

## 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 31 December 2006 and 30 June 2006, the Group did not have outstanding hedging instruments.

## CHARGES ON GROUP ASSETS

At 31 December 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 for working capital of the Group.

## EMPLOYEES

As at 31 December 2006, the Group had 8 full-time staffs (30 June 2006: 8). 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.

## CONTINGENT LIABILITIES

As at 31 December 2006, there was a pending litigations 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 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 period ended 31 December 2006.

## 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 31 December 2006.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There had been no material acquisitions and disposals of subsidiaries during the year (30 June 2006: Nil).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 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

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, non-executive directors and employees of the Group, and suppliers of goods or service to the Group.

No share option has been granted by the Company under the Scheme.

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

So far as is known to any Director of the Company, as at 31 December 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%

In addition, the Company was also notified of the following interests in respect of the new ordinary shares to be allotted and issued under the Subscription Agreements (note 12).

Name of substantial shareholder	Number of shares interested	Percentage of issued share capital (based on 100,000,000 ordinary shares in issue as at 31 December 2006)
Fintage Asia Corporation	150,000,000 <sup>(1)</sup>	150.00
Kuo Hsing Holdings Limited	150,000,000 <sup>(1)</sup>	150.00
Li Kuo Hsing	150,000,000 <sup>(1)</sup>	150.00
Mei Ah Entertainment Group Limited	150,000,000 <sup>(1)</sup>	150.00
Mei Ah Holdings Limited	150,000,000 <sup>(1)</sup>	150.00
Chan Kwok Keung, Charles	38,000,000 <sup>(2)</sup>	38.00
Chinaview International Limited	38,000,000 <sup>(2)</sup>	38.00
Famex Investment Limited	38,000,000 <sup>(2)</sup>	38.00
Galaxyway Investments Limited	38,000,000 <sup>(2)</sup>	38.00
Hanny Holdings Limited	38,000,000 <sup>(2)</sup>	38.00
Hanny Magnetics (B.V.I.) Limited	38,000,000 <sup>(2)</sup>	38.00
ITC Corporation Limited	38,000,000 <sup>(2)</sup>	38.00
ITC Investment Holdings Limited	38,000,000 <sup>(2)</sup>	38.00
Mankar Assets Limited	38,000,000 <sup>(2)</sup>	38.00
Ng Yuen Lan Macy	38,000,000 <sup>(2)</sup>	38.00
Richeast Holdings Limited	38,000,000 <sup>(2)</sup>	38.00
Ma Ho Man Hoffman	37,000,000	37.00

(1) Refer to the same parcel of shares

(2) Refer to the same parcel of shares

## CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, with the exception of the deviation in respect of the appointment term of non-executive directors.

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 the 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.

## 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 and 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 three months and six months ended 31 December 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 six months ended 31 December 2006.

## AUDIT COMMITTEE

The Company established an audit committee which comprises the three independent non-executive directors of the Company, 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.

By order of the Board  
**Lee Man Kwong**  
*Director*

Hong Kong, 12 February 2007

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*)