BIG MEDIA 天下媒體

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)

2006/07
Annual Report

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.

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Corporate Information

Board of Directors

Executive Directors

Mr. Li Kuo Hsing
Mr. Tong Hing Chi
Mr. Fung Wing, Wellington
Dr. Yap, Allan
Mr. Chan Kwok Sun, Dennis

Independent Non-executive Directors

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

Company Secretary

Mr. Chan Lun Ho

Qualified Accountant

Mr. Au Yeung Chung Bong

Compliance Officer

Mr. Tong Hing Chi

Authorised Representatives

Mr. Li Kuo Hsing
Mr. Tong Hing Chi

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 (Asia)

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

3rd Floor, Mei Ah Centre,
28 Chun Choi Street,
Tseung Kwan O Industrial Estate,
Kowloon, Hong Kong

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

Tricor 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 2007.

Financial Result

For the year ended 30 June 2007, the Group’s net loss attributable to Shareholders was approximately HK$6.1 million as compared to loss of approximately HK$3.2 million in previous year. Turnover increased from approximately HK$4.1 million in the previous year to approximately HK$5.1 million this year, representing an increase of approximately 25%.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2007.

Overview

For the year ended 30 June 2007, the Group has earned distribution income throughout South East Asia following up on the successful launch of the film entitled “Love Undercover 3” in June 2006. In the last quarter, the Group has also successfully launched another film entitled “Dancing Lion” and has distributed the movie right of “The Romantic Fool”, thus expecting a positive income stream in the coming future.

During the year, the Group also completed a fund raising exercise through share subscription which has generated gross cash proceeds of HK$45 million. With the introduction of the new subscribers, the capital base of the Group has improved substantially and such cash has been applied to future investment and working capital of the Group.

From the first quarter of 2007, the Group has been focusing on the consolidation of the infra structure and operation team. In March, during the “BIG Mission 100” inauguration ceremony at the Hong Kong Filmart 2007, the Group announced our role in the mission on revitalizing the Hong Kong movie industry. Four movies projects and a TV drama series progressively commenced shooting in Hong Kong as well as in the Mainland. In the second quarter, in response to our mission call, Producers, Directors and Scriptwriters presented more than 38 proposals to the company. After much careful screening and intensive discussion with the creative teams, 16 projects were picked and presented to the Project Approval Committee. Out of those, 7 proposals were given the green light to full script development. Up to the present moment, 10 projects are in different stages of creative development. Should the externality elements remains optimal, the Group would anticipate a leading role in terms of production quantity.

Meanwhile, a team was set up to monitor all production progress and budget control. Professional guidelines were laid out to assist various projects so that each project will be closely watched and supervised.

Chairman's Statement

Overview *(Continued)*

Since clever publicity plays a key role in marketing the movie from the inception of each project, a Vice-President was specifically assigned to drive and monitor publicity affairs for all productions on a multi-media basis.

An artiste management team, BIG Artiste Management Limited, was formed in the second quarter. By now the team has successfully signed up several young talents. This setup would become a base to build our talent management business. The Group recognizes the strategic importance on nurturing successors who would be much in demand as our number of production grows.

Prospects

Given a fast growing box office performance in the Mainland, the Group anticipates that more movies would be made as co-production projects with Chinese studios. With a "Co-Production" status, our movies would be able to share the Box Office Revenue instead of just receiving a fixed buyout price. On the other hand, Guangdong Province is opening up more to show the Cantonese version of movies originated from Hong Kong. There is a general view that such exhibition practice would boast the box office intake further in this region.

There is also evidence that demand of Chinese language film in Taiwan is on an uphill trend, probably due to the shrinkage of Hong Kong supplies in the past few years. The Group, riding on this opportunity, took the initiative to negotiate a co-investment deal with a major Pay TV operator in Taipei. Should the deal go through as planned, the deal guarantees an outlet for the films made under this arrangement. Aside from producing full feature movies, the Group is also looking into co-investment deal with known producers in Taiwan and the Mainland on television drama series when the right opportunity arises.

On the artiste management aspect, the Group has reached an option to pick up potential performers from Super Band 2007 Contest. Such participation would provide the Group a talent pool from which all future productions, film as well as Television, would be benefited.

The Management would continue to seek and invest into high potential projects from creative talents in Hong Kong, Taiwan and the Mainland, aiming to generate high quality entertainment contents, thereby greatest profit and asset value for the Group and its shareholders.

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.

Li Kuo Hsing
Chairman

Hong Kong, 12 September 2007

Management Discussion and Analysis

Financial Position

For the year under review, the Group has engaged in production of movies and the Group mainly financed its operations with funds raised from issuance of new shares to several subscribers and financial support provided by its substantial shareholder. As at 30 June 2007, the Group had total current assets of approximately HK$40.1 million (2006: HK$7.3 million), including cash and bank balances of approximately HK$12.7 million (2006: HK$1.6 million), film rights and films in progress of approximately HK$25.6 million (2006: HK$2.8 million), nil accounts receivable (2006: HK$0.2 million) and prepayment, deposits and other receivables of approximately HK$1.8 million (2006: HK$2.8 million). The Group has aggregate outstanding borrowings of approximately HK$3.7 million (2006: HK$17.0 million), representing a short term loan from its shareholder of HK$3.7 million (2006: HK$9.8 million) at an interest rate of 2.5% over prevailing Hong Kong dollars prime rate per annum. During the year, the Group has fully repaid its bank overdraft (2006: HK$1.6 million, at an interest rate ranged of 2.25% over prevailing Hong Kong dollars prime rate per annum), bank loan (2006: HK$2.0 million at an interest rate of 2.25% over prevailing Hong Kong dollars prime rate per annum), shareholder's loan (2006: HK$1.2 million at an interest rate of 5% per annum) and an interest-free loan (2006: HK$2.5 million and not repayable within twelve months).

The Group's turnover for the year ended 30 June 2007 amounted to approximately HK$5.1 million (2006: approximately HK$4.1 million), representing an increase of around 24.8%. This was mainly due to the distribution income earned through successful launch of the films entitled "Love Undercover 3", "Dancing Lion" and "The Romantic Fool".

Gearing Ratio

The gearing ratio, representing borrowings divided by total assets, was approximately 0.09 as at 30 June 2007 (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 30 June 2006 and 30 June 2007, the Group did not have outstanding hedging instruments.

Management Discussion and Analysis

Charges on Group Assets

At 30 June 2007, all the undertaking, property and assets of several subsidiaries of the Group were pledged as security for a short term borrowing for working capital of the Group.

Contingent Liabilities

At 30 June 2007, the Company issued a corporate guarantee to the extent of HK$5,000,000 as a security to the banking facilities granted to a subsidiary.

Employees

As at 30 June 2007, the Group had 10 full-time staffs (2006: 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$1.9 million and approximately HK$0.9 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 2007, no share options were granted under the share option scheme.

Biography of Directors and Senior Management

Executive Directors

Mr. Li Kuo Hsing, aged 48, has been the Chairman of the Company since March 2007 and a recognised leader of the Hong Kong entertainment industry. He is the Vice Chairman of the Federation of Motion Film Producers of Hong Kong Limited since 1998 and appointed Member of the Election Committee for the Performing Arts sub-sector of the Legislative Council Election. Mr. Li is also the Chairman and major shareholder of Mei Ah Entertainment Group Limited ("Mei Ah"), a substantial shareholder of the Company and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of Sau San Tong Holdings Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange.

Mr. Tong Hing Chi, aged 52, has been the Vice Chairman of the Company since March 2007. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has about 20 years of experience in the entertainment and multimedia industry in Hong Kong and overseas. Mr. Tong has been the Vice Chairman of Hong Kong, Kowloon & New Territories Motion Picture Industry Association Limited ("MPIA") since 2001. Mr. Tong is also the executive director of Mei Ah and the Chairman of China Chief Cable TV Group Limited ("CCCTV Group"), a company listed on the GEM of the Stock Exchange.

Mr. Fung Wing, Wellington, aged 57, has been the Chief Executive Officer of the Company since March 2007. Mr. Fung built his career in the Hong Kong film industry since 1978. In March 1994, he co-founded the Media Asia Group and then served as the general manager, deputy managing director and executive director in various companies of the Media Asia Group in the ten following years. During the period from November 2004 to April 2005, Mr. Fung was a non-executive director of Media Asia Entertainment Group Limited, the shares of which is listed in Singapore. Prior to that, he was the Vice President of Media Asia Assets, a company of STAR TV group, and in charge of film production and distribution. From 1980 to 1992, Mr. Fung personally produced 12 Chinese language features for Cinema City, and oversaw the production of over 30 movies starring Hong Kong's leading actors and actresses. Prior to joining the Group, Mr. Fung is the executive director of M-Bright Science & Technology, an entity focused in Internet and Mobile business.

Mr. Fung holds qualifications of a Bachelor of Science in Medical Technology from Louisiana State University, a Bachelor of Fine Arts, majored in Cinema from the School of Visual Art, a Diploma in Marketing from Hong Kong Management Association, and a Master of Business Administration from the Chinese University of Hong Kong.

Biography of Directors and Senior Management

Executive Directors *(Continued)*

Dr. Yap, Allan, aged 51, has been an executive director of the Company since March 2007. Dr. Yap obtained the Honorary degree of Doctor of Laws and has over 25 years' experience in finance, investment and banking. Dr. Yap is the managing director of Hanny Holdings Limited and an executive director of Wing On Travel (Holdings) Limited, both of which are companies whose shares are listed on the Main Board of the Stock Exchange. He is the chairman and chief executive officer of China Enterprises Limited, a company whose shares are traded on the OTC Bulletin Board in the United States of America as well as Burcon NutraScience Corporation, a company whose shares are listed on the TSX Venture Exchange in Canada and the Frankfurt Stock Exchange in Germany. Dr. Yap is an executive chairman of PSC Corporation Ltd, Intraco Limited and Tat Seng Packaging Group Ltd., all of which are public listed companies in Singapore. He is also the chairman of MRI Holdings Limited, a company whose shares are listed on the Australian Stock Exchange.

Mr. Chan Kwok Sun, Dennis, aged 58, was appointed as an Executive Director in November 2004. Mr. Chan has accumulated more than 24 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.

Independent Non-executive Directors

Mr. Lam Kin Kau, Mark, aged 53, 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 21 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.

Biography of Directors and Senior Management

Independent Non-executive Directors *(Continued)*

Mr. Law Kwok Leung, aged 47, was appointed as an independent non-executive Director on 31 March 2005. Mr. Law has 23 years of experience in the advanced technology and is the Chief Executive Officer and an executive director of CCCTV Group. 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 52, was appointed as an independent non-executive Director on 31 March 2005. Mr. Fung has over 17 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 31, has been the qualified accountant of the Company since March 2005. 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 7 years of experience in accounting and auditing.

Mr. Chan Lun Ho, aged 37, is the Company Secretary of the Company with effect from March 2007. He is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of auditing and accounting experience.

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 2007.

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 19 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 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 50. 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 51 to 52. 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 25 to 26.

Distributable Reserves

As at 30 June 2007, the Company had no distributable reserves available for distribution to shareholders of the Company (2006: nil).

Property, Plant and Equipment

Movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Share Capital and Share Options

Movements in the Company's share capital and share options during the year are set out in notes 23 and 24 to the financial statements.

Report of the Directors

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 27%
— five largest suppliers combined 44%

Sales

— the largest customer 11%
— five largest customers combined 33%

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 2007, 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:

Report of the Directors

Directors' Interests and Short Positions in Shares *(Continued)*

Long positions in the shares of the Company

Name of director	Corporate interest	Percentage of shareholding
Mr. Li Kuo Hsing	142,120,000*	43.73%

* Mr. Li Kuo Hsing has personal, family and corporate interests of approximately 50% equity interests in Mei Ah Entertainment Group Limited, which wholly owns Fintage Asia Corporation holding 43.73% equity interests 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 24 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. Li Kuo Hsing	(appointed on 1 March 2007)
Mr. Tong Hing Chi	(appointed on 1 March 2007)
Mr. Fung Wing, Wellington	(appointed on 1 March 2007)
Dr. Yap, Allan	(appointed on 1 March 2007)
Mr. Chan Kwok Sun, Dennis	
Mr. Lee Man Kwong	(resigned on 1 March 2007)
Ms. Xiong Jingling	(resigned on 1 March 2007)
Mr. Law Kwok Keung	(resigned on 1 March 2007)

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 8 to 10 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 2007, shareholders 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
Fintage Asia Corporation	142,120,000 (1)	43.73%
Kuo Hsing Holdings Limited	142,120,000 (1)	43.73%
Li Kuo Hsing	142,120,000 (1)	43,73%
Mei Ah Entertainment Group Limited	142,120,000 (1)	43.73%
Mei Ah Holdings Limited	142,120,000 (1)	43.73%
Famex Investment Limited	38,000,000 (2)	11.69%
Hanny Holdings Limited	38,000,000 (2)	11.69%
Hanny Magnetics (B.V.I.) Limited	38,000,000 (2)	11.69%
ITC Corporation Limited	38,000,000 (2)	11.69%
ITC Investment Holdings Limited	38,000,000 (2)	11.69%
Mankar Assets Limited	38,000,000 (2)	11.69%
Richeast Holdings Limited	38,000,000 (2)	11.69%
Ma Ho Man Hoffman	37,000,000	11.38%
Shineidea Limited	17,081,651 (3)	5.26%
See Corporation Limited	17,081,651 (3)	5.26%

(1) Refer in the same parcel of shares

(2) Refer to the same parcel of shares

(3) Refer to the same parcel of shares

Report of the Directors

Interests and Short Positions of Shareholders Disclosable Under the SFO

(Continued)

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 27 (i) to (iii) (the "Transactions") also constitute connected transactions under the GEM Listing Rules. Independent shareholders' approval were obtained in extraordinary general meetings dated 25 January 2007 and 25 June 2007.

The independent non-executive Directors have reviewed annually these transactions and confirm that the Transactions have been entered into:

(i) in the usual course of business of the Group;

(ii) either on normal commercial terms or, if there is no available comparison, on terms that are no less favorable than terms available to or from the independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Corporate Governance Report

Corporate governance report of the Company is set out on pages 16 to 19 of the annual report.

Report of the Directors

Auditors

The accounts of the Company for the year ended 30 June 2004 was audited by CCIF CPA Limited (formerly known as Charles, Chan, Ip & Fung CPA Ltd.). 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 2007 have been audited by Hopkins CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Li Kuo Hsing
Chairman

Hong Kong, 12 September 2007

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 2007, 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 2007.

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 2007, the Board comprised eight Directors, including five executive Directors (including the Chairman) and three Independent non-executive Directors. Biographies of the Directors are set out in pages 7 to 9.

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.

Corporate Governance Report

Board of Directors *(Continued)*

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 to discuss and approve the Group's results. Details of the attendance of the Board are as follows:

Executive Directors	**Attendance**
Mr. Li Kuo Hsing *(Chairman)*	2/4
Mr. Tong Hing Chi *(Vice-Chairman)*	2/4
Mr. Fung Wing, Wellington *(Chief Executive Officer)*	2/4
Dr. Yap, Allan	2/4
Mr. Chan Kwok Sun, Dennis	2/4
Mr. Lee Man Kwong	2/4
Ms. Xiong Jingling	0/4
Mr. Law Kwok Keung	2/4
Independent non-executive Directors	
Mr. Lam Kin Kau, Mark	4/4
Mr. Fung Wing Keung	4/4
Mr. Law Kwok Leung	4/4

In addition, all of the present directors attended the board meeting to approve the appointment of directors during the year.

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 2007 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 September 2007, 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.

Corporate Governance Report

Auditors' Remuneration

The statement by the auditors of the Company about their reporting responsibilities is set out in the auditors' report on page 20 to 21. During the year, auditor's remuneration for audit services and professional services regarding share issue were approximately HK$215,000 and HK$73,000 respectively. Save as disclosed above, there was no other significant non-audit services assignment undertaken by the external auditors during the year.

Independent Auditor's Report

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

To the members of
BIG Media Group Limited
(Incorporated in the Cayman Islands with limited liability)

Report on the financial statements

We have audited the consolidated financial statements of the Company set out on pages 22 to 50, which comprise the consolidated and company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors's responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report 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. We conducted out audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and of the Group's results and cash flows for the Period then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 12 September 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Sales	7	**5,121**	4,103
Cost of goods sold		**(4,735)**	(4,385)
Gross profit/(loss)		**386**	(282)
Other revenues	8	**991**	453
Selling and marketing costs		**(1,548)**	—
Administrative expenses		**(3,597)**	(1,478)
Loss from operating activities	9	**(3,768)**	(1,307)
Finance costs	10	**(1,117)**	(1,259)
Loss before income tax		**(4,885)**	(2,566)
Income tax expense	11	**(1,235)**	(595)
Loss for the year attributable to:			
Equity holders of the Company	13	**(6,120)**	(3,161)
Loss per share for loss attributable to the equity holders of the Company during the year			
— basic	14	**(HK3.34 cents)**	(HK4.85 cents)
— diluted	14	**N/A**	N/A

Consolidated Balance Sheet

As at 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**85**	—
Film rights and films in progress	18	**482**	611
Deferred income tax assets	17	**—**	1,235
		567	1,846
Current assets			
Film rights and films in progress	18	**25,580**	2,772
Accounts receivable	20	**—**	159
Prepayments, deposits and other receivables		**1,832**	2,755
Cash and cash equivalents		**12,676**	1,608
		40,088	7,294
LIABILITIES			
Current liabilities			
Deposits received		**(7,641)**	(1,440)
Accounts payable	21	**(92)**	(457)
Accrued liabilities and other payables		**(2,806)**	(2,188)
Bank overdrafts, secured		**—**	(1,640)
Borrowings	22	**(3,724)**	(11,887)
		(14,263)	(17,612)
Net current assets/(liabilities)		**25,825**	(10,318)
Total assets less current liabilities		**26,392**	(8,472)
Non-current liabilities			
Borrowings	22	**—**	(3,501)
NET ASSETS/(LIABILITIES)		**26,392**	(11,973)
CAPITAL AND RESERVES			
Issued capital	23	**65,000**	20,000
Reserves		**(38,608)**	(31,973)
		26,392	(11,973)

Li Kuo Hsing
Director

Fung Wing, Wellington
Director

Balance Sheet

As at 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	**21,424**	1,755
Current assets			
Prepayments, deposits and other receivables		**50**	2,735
Cash and cash equivalents		**12,440**	1,523
		12,490	4,258
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables		**(453)**	(1,526)
Borrowings	22	**(3,724)**	(10,679)
		(4,177)	(12,205)
Net current assets/(liabilities)		**8,313**	(7,947)
NET ASSETS/(LIABILITIES)		**29,737**	(6,192)
CAPITAL AND RESERVES			
Issued capital	23	**65,000**	20,000
Reserves		**(35,263)**	(26,192)
		29,737	(6,192)

Li Kuo Hsing
Director

Fung Wing, Wellington
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

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 2005 and 1 July 2005	4,000	20,027	17,590	(65,342)	(23,725)
Proceeds/(issuing expenses) from rights issue	16,000	(1,087)	—	—	14,913
Loss for the year	—	—	—	(3,161)	(3,161)
At 30 June 2006 and 1 July 2006	20,000	18,940	17,590	(68,503)	(11,973)
Proceeds/(issuing expenses) from shares issue *(Note 24)*	45,000	(515)	—	—	44,485
Loss for the year	—	—	—	(6,120)	(6,120)
At 30 June 2007	65,000	18,425	17,590	(74,623)	26,392

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

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 2005 and 1 July 2005	4,000	20,027	(28,911)	(4,884)
Proceeds/(issuing expenses) from rights issue	16,000	(1,087)	—	14,913
Loss for the year	—	—	(16,221)	(16,221)
At 30 June 2006 and 1 July 2006	20,000	18,940	(45,132)	(6,192)
Proceeds/(issuing expenses) from shares issue *(Note 23)*	45,000	(515)	—	44,485
Loss for the year	—	—	(8,556)	(8,556)
At 30 June 2007	65,000	18,425	(53,688)	29,737

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Loss before taxation		**(4,885)**	(2,566)
Adjustments for:			
Finance costs	10	**1,117**	1,259
Interest income		**(239)**	(59)
Amortisation of film rights		**3,041**	3,073
Depreciation		**28**	—
Operating (loss)/profit before working capital changes		**(938)**	1,707
Decrease/(Increase) in accounts receivable		**159**	(159)
Decrease/(Increase) in prepayments, deposits and other receivables		**923**	(2,481)
Increase/(Decrease) in deposits received		**6,201**	(332)
(Decrease)/Increase in accounts payable		**(365)**	287
Increase/(Decrease) in accrued liabilities and other payables		**618**	(452)
Net cash inflow/(outflow) from operating activities		**6,598**	(1,430)
Cash flows from investing activities			
Acquisition of film	18	**(25,720)**	(3,030)
Purchase of property, plant and equipment		**(113)**	—
Interest received		**239**	59
Net cash used in investing activities		**(25,594)**	(2,971)
Cash flows from financing activities			
Proceeds from issue of new shares		**45,000**	—
Proceeds from rights issue		**—**	16,000
Share issue expenses		**(515)**	(1,087)
Proceeds from related companies' borrowings		**25**	584
Proceeds from other borrowings		**—**	12,538
Repayments of related companies' borrowings		**(7,130)**	(4,145)
Repayments of other borrowings		**(4,437)**	(12,351)
Interest paid		**(1,239)**	(1,137)
Net cash generated from financing activities		**31,704**	10,402
Net increase in cash and cash equivalents		**12,708**	6,001
Cash and cash equivalents at beginning of the year		**(32)**	(6,033)
Cash and cash equivalents at end of the year		**12,676**	(32)
Analysis on cash and cash equivalents			
Cash and bank deposits		**12,676**	1,608
Bank overdrafts		**—**	(1,640)
		12,676	(32)

Notes to the Consolidated Financial Statements

30 June 2007

1. General information

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 3rd Floor, Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, 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 12 September 2007.

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 5.

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

(Continued)

2.1 Basis of preparation *(Continued)*

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[4]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2009.
3. Effective for annual periods beginning on or after 1 November 2006.
4. Effective for annual periods beginning on or after 1 March 2007.

3. 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.

3. Principal accounting policies *(Continued)*

(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.

(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.

3. Principal accounting policies *(Continued)*

(d) Film Rights, Films in Progress and Sub-licensing Rights *(Continued)*

(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.

(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.

3. Principal accounting policies *(Continued)*

(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.

(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.

3. Principal accounting policies *(Continued)*

(l) Employee Benefits *(Continued)*

(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.

(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.

3. Principal accounting policies *(Continued)*

(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.

4. Financial risk management

4.1 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.

4.2 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.

Notes to the Consolidated Financial Statements

30 June 2007

5. Critical accounting estimates and judgements

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.

6. 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 assets were held in Hong Kong during the year, no analysis of geographical segment assets information is presented.

6. Segment information *(Continued)*

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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**3,558**	4,103	**232**	–	**1,011**	–	**320**	–	**5,121**	4,103
Segment results	**(3,307)**	(1,760)	**(215)**	–	**(940)**	–	**(297)**	–	**(4,759)**	(1,760)
Other revenues									**752**	394
Interest income									**239**	59
Finance costs									**(1,117)**	(1,259)
Loss before taxation									**(4,885)**	(2,566)
Taxation									**(1,235)**	(595)
Loss attributable to shareholders									**(6,120)**	(3,161)

7. Turnover

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

8. Other revenues

	2007	2006
	HK$'000	*HK$'000*
Interest income	**239**	59
Others	**752**	394
	991	453

9. Loss from operating activities

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

	2007	2006
	HK$'000	*HK$'000*
Auditor's remuneration		
— current year	**215**	180
— over provision in prior years	**(24)**	(35)
	191	145
Cost of film and sub-licensing rights*	**4,735**	4,385
Depreciation	**28**	—
Staff costs (including directors' remuneration) *(Note 12)*	**1,851**	910
Minimum lease payments under operating leases		
in respect of land and buildings to:		
— a related company	**152**	—

* The cost of film and sub-licensing rights for the year include amortisation of film rights of approximately HK$3,041,000 (2006: HK$3,073,000).

10. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest expense:		
— Interest on bank overdrafts	**75**	354
— Interest on bank loan	**146**	144
— Interest on shareholder's loan	**30**	167
— Interest on short term loan	**—**	594
— Interest on related companies' loans	**866**	—
	1,117	1,259

11. Income tax expense

No provision for Hong Kong profits tax has been made for the Group as it incurred losses during the year.

	2007 *HK$'000*	2006 *HK$'000*
Hong Kong profits tax	—	—
Deferred income tax *(Note 17)*	1,235	595
	1,235	595

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

	2007 *HK$'000*	2006 *HK$'000*
Loss before taxation	(4,885)	(2,566)
Calculated at a taxation rate of 17.5% (2006: 17.5%)	(855)	(449)
Tax effect on non-deductible expenses	157	121
Tax effect on unused tax losses not recognised	1,942	923
Tax effect on deductible temporary differences not recognised	(9)	—
	1,235	595

12. Staff costs (including directors' emoluments)

	2007 *HK$'000*	2006 *HK$'000*
Wages and salaries	1,810	894
Pension costs — defined contribution plans	41	16
	1,851	910

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

(a) Directors' and Senior Management's Emoluments

The directors' remuneration for the year ended 30 June 2007 is set out below:

	Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Mr. Fung Wing, Wellington	—	335	4	339
	Mr. Chan Kwok Sun, Dennis	—	384	12	396
	Mr. Lee Man Kwong	—	240	—	240
	Mr. Law Kwok Keung	30	—	—	30
*	Mr. Lam Kin Kau, Mark	30	—	—	30
		60	959	16	1,035

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

	Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'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

Notes:

No director waived or agreed to waive any of their emoluments in respect of two years ended 30 June 2006 and 2007.

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.

Other directors of the Company did not receive any emoluments during the years ended 30 June 2006 and 2007.

* *Independent non-executive directors*

12. 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 three (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: three) individuals during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and allowances	**264**	156
Retirement scheme contributions	**11**	6
	275	162

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 2007 and 2006.

13. 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$8,556,000 (2006: net loss of HK$16,221,000).

14. Loss per share

The basic loss per share for the year is calculated based on the Group's loss from ordinary activities attributable to shareholders of HK$6,120,000 (2006: HK$3,161,000), and the weighted average of 183,219,178 (2006: 65,247,725) ordinary shares in issue during the year.

Diluted earnings per share amounts for each of the two years ended 30 June 2007 and 2006 have not been disclosed as no diluting event existed during these years.

15. Dividends

No dividend was paid or proposed for the year ended 30 June 2007 nor has any dividend been proposed since the balance sheet date (2006: Nil).

16. Property, plant and equipment

	Group				
	Leasehold improvement	Office equipment	Furniture and fixtures	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 July 2005 and 30 June 2006	—	80	150	327	557
Additions	15	58	40	—	113
At 30 June 2007	15	138	190	327	670
Accumulated depreciation					
At 1 July 2005 and 30 June 2006	—	80	150	327	557
Change for the year	4	14	10	—	28
At 30 June 2007	4	94	160	327	585
Net book value					
At 30 June 2007	11	44	30	—	85
At 30 June 2006	—	—	—	—	—

17. Deferred income tax assets

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Beginning of the year	**1,235**	1,830
Transfer to income statement *(Note 11)*	**(1,235)**	(595)
End of the year	**—**	1,235
Provided in respect of:		
Accelerated depreciation allowances	**—**	15
Unused tax losses	**—**	1,220
	—	1,235

The Group has not taken into account of HK$2,072,000 (2006: HK$687,000) of deferred tax assets arising from tax losses as it is not certain that the benefit could be realised in the foreseeable future.

18. Film rights and films in progress

	Group	
	2007	2006
	HK$'000	*HK$'000*
Film rights	**3,083**	2,772
Films in progress	**22,497**	—
Sub-licensing rights	**482**	611
	26,062	3,383
Less: Amounts classified as current assets	**(25,580)**	(2,772)
Non-current portion	**482**	611

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

	Film rights	Films in progress	Sub-licensing rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 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
Addition	3,223	22,497	—	25,720
Amortisation	(2,912)	—	(129)	(3,041)
Net book value at 30 June 2007	3,083	22,497	482	26,062

19. Interests in subsidiaries

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost:	**100**	100
Amounts due from subsidiaries	**66,525**	40,912
Less: Provision for doubtful debts	**(45,201)**	(39,000)
Amounts due to subsidiaries	**—**	(257)
	21,424	1,755

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

19. Interests in subsidiaries *(Continued)*

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

Name	Place of incorporation 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 Islands, 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%
BIG Artiste Management Limited	Hong Kong, limited liability company	Artiste Management	1 Ordinary share of HK$1 each	100%

20. Accounts receivable

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

	Group	
	2007	2006
	HK$'000	*HK$'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
	–	12,205
Less: Provision for doubtful debts	**–**	(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.

21. Accounts payable

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**—**	365
Between 31 to 60 days	**—**	—
Between 61 to 90 days	**—**	—
Over 90 days	**92**	92
	92	457

22. Borrowings

	Group	
	2007	2006
	HK$'000	*HK$'000*
Non-current		
Bank loan, secured	**—**	1,031
Other loan, unsecured	**—**	2,470
	—	3,501
Current		
Bank loan, secured	**—**	936
Shareholder's loan, unsecured	**—**	1,201
Short term loan, secured	**3,724**	9,750
	3,724	11,887
Total borrowings	**3,724**	15,388

22. Borrowings *(Continued)*

	Company	
	2007	2006
	HK$'000	*HK$'000*
Current		
Shareholder's loan, unsecured	**—**	929
Short term loan, secured	**3,724**	9,750
Total borrowings	**3,724**	10,679

As at 30 June 2007, the short term loan was secured by all property and assets of several subsidiaries of the Group (2006: secured by all property and assets of several subsidiaries of the Group).

As at 30 June 2007, the Group's borrowings were repayable as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**3,724**	11,887
In the second year	**—**	3,501
	3,724	15,388

23. Share capital

		Number of ordinary shares of HK$0.2 each	Value *HK$'000*
Authorised:			
At 1 July 2006		150,000,000	30,000
Issue of new shares	*Note (a)*	850,000,000	170,000
At 30 June 2007		1,000,000,000	200,000
Issued and fully paid:			
At 1 July 2006		100,000,000	20,000
Issue of new shares	*Note (b)*	225,000,000	45,000
At 30 June 2007		325,000,000	65,000

Note (a): On 25 January 2007, the Company has passed a resolution to increase the authorised capital of the Company from HK$30,000,000 to HK$200,000,000 by the creation of an additional 850,000,000 new ordinary shares of HK$0.20 each.

Note (b): On 16 February 2007, the Company has completed the subscription agreements by issuing 225,000,000 shares at the subscription price of HK$0.20 per share.

24. 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.

24. Share Option Scheme *(Continued)*

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.

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.

25. Contingent liabilities

At 30 June 2007, the Company issued a corporate guarantee to the extent of HK$5,000,000 as a security to the banking facilities granted to a subsidiary.

26. Commitments

At 30 June 2007, the Group had future minimum lease payments under non-cancellable operating lease are payable as follows;

	2007 ***HK$'000***	2006 *HK$'000*
Not later than 1 year	**303**	—
Later than 1 year and not later than 5 years	**304**	—
	607	—

27. 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:

		2007 *HK$'000*	2006 *HK$'000*
(i)	Office operating lease rental in respect of land & building paid to Mei Ah Investment Company Limited	**152**	—
(ii)	Distribution commission paid to Mei Ah Development Company Limited	**143**	—
(iii)	Licensing income received from		
	— Mei Ah (HK) Company Limited	**245**	—
	— MATV Limited	**50**	—

Mei Ah Investment Company Limited, Mei Ah Development Company Limited, Mei Ah (HK) Company Limited and MATV Limited are follow subsidiaries of Fintage Asia Corporation which holds 43.73% equity interests of the Company.

The above transactions were conducted in the normal course of business and are charged at terms mutually agreed or in accordance with the terms of the underlying agreements, where appropriate.

Financial Summary

30 June 2007

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				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(as restated)
TURNOVER	**5,121**	4,103	1,763	20,593	28,023
Cost of sales	**(4,735)**	(4,385)	(5,704)	(7,724)	(17,118)
Gross (loss)/profit	**386**	(282)	(3,941)	12,869	10,905
Other revenues	**991**	453	262	51	118
Selling and distribution costs	**(1,548)**	—	(253)	(1,371)	(3,005)
Administrative expenses	**(3,597)**	(1,478)	(49,700)	(8,570)	(5,501)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	**(3,768)**	(1,307)	(53,632)	2,979	2,517
Finance costs	**(1,117)**	(1,259)	(1,659)	(750)	(438)
(LOSS)/PROFIT BEFORE TAXATION	**(4,885)**	(2,566)	(55,291)	2,229	2,079
Taxation	**(1,235)**	(595)	5	(651)	(236)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(6,120)**	(3,161)	(55,286)	1,578	1,843

Financial Summary

30 June 2006

Assets and Liabilities

	As at 30 June				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(as restated)
Non-current assets	**567**	1,846	2,441	11,406	12,013
Current assets	**40,088**	7,294	3,174	54,815	46,935
Current liabilities	**(14,263)**	(17,612)	(18,340)	(25,614)	(19,919)
Net current assets/(liabilities)	**25,825**	(10,318)	(15,166)	29,201	27,016
Non-current liability	**—**	(3,501)	(11,000)	(9,046)	(9,046)
	26,392	(11,973)	(23,725)	31,561	29,983

Notes:

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).