BIG MEDIA GROUP LIMITED

STOCK CODE : 8167

ANNUAL REPORT 年報 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.

This document, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:—

1. the information contained in this document is accurate and complete in all material respects and not misleading;

2. there are no other matters the omission of which would make any statement in this document misleading; and

3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

Board of Directors

Executive Directors

Mr. Wen Rui Feng, Brandon
Mr. Tong Hing Chi
Mr. Zhuo Wu
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. Wen Rui Feng, Brandon
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 2008.

Overview and prospects

For the year ended 30 June 2008, the Group's net loss attributable to Shareholders was approximately HK$25.6 million (2007: HK$6.1 million) whilst the turnover increased from HK$5.1 million to HK$24.4 million. The Group's net asset was also increased to HK$70.9 million as at 30 June 2008 (2007: HK$26.4 million).

The Board does not recommend the payment of a final dividend for the year ended 30 June 2008.

During the year ended 30 June 2008, the Group launched a number of films, including "Naraka 19", "The pye-dog", "Playboy Cops", "An Empress and Warriors" and "The Moss". More films are being produced or planned and are expected to release in the next financial year. Looking forward, the Group will continue to invest and offer its utmost support in Hong Kong's film production industry and aims to produce high quality and popular films in various categories.

Following the formation of an artiste management team since 2007, the team has successfully signed up a number of artistes, including Gigi Leung and several young talents. This would become a base to build our talent management business and the Group recognizes the strategic importance on nurturing successors who would be much in demand as our number of production grows.

Given a fast growing box office performance in the Mainland, the Group will continue to engage in co-production projects with Chinese studios in order to share the Box Office Revenue. On the artiste management aspect, the Group will continue to seek potential artistes and performers in order to build up a talent pool from which all future productions would be benefited.

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

Financial Position

For the year under review, the Group has engaged in production of movies and artiste management. As at 30 June 2008, the Group had total current assets of approximately HK$32.8 million (2007: HK$14.5 million), including cash and bank balances of approximately HK$19.8 million (2007: HK$12.7 million), and accounts receivable, prepayment, deposits and other receivables of approximately HK$13.0 million (2007: HK$1.8 million).

The Group's turnover for the year ended 30 June 2008 amounted to approximately HK$24.4 million (2007: approximately HK$5.1 million), representing a 4.6 times increment. This was mainly due to the distribution income earned through successful launch a total of five films namely "Naraka 19", "The pye-dog", "Playboy cops", "An empress and the warriors" and "The Moss". "The pye-dog" has received a number of awards in international film festivals.

Chairman's Statement

During the year, the Group also completed a fund raising exercise through share placement of 300,000,000 new shares of the Company which has raised funds of approximately HK$70 million. With the introduction of the new subscribers, the shareholder base and working capital of the Group has been further improved and enhanced.

Gearing Ratio

The Group had no borrowings as at 30 June 2008.

The gearing ratio as at 30 June 2007, representing borrowings divided by total assets, was approximately 0.09.

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 2007 and 30 June 2008, the Group did not have outstanding hedging instruments.

Charges on Group Assets

At 30 June 2008, 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.

Employees

As at 30 June 2008, the Group had 11 full-time staffs (2007: 10). The total of employee remuneration, including that of the Directors, for the year under review and last corresponding year amounted respectively to approximately HK$4.3 million (2007: HK$1.9 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 2008, no share options were granted under the share option scheme.

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.

Biography of Directors and Senior Management

Executive Directors

Mr. Wen Rui Feng, Brandon, aged 41, appointed as the Chairman and executive director of the Company on 26 June 2008. Mr. Wen graduated from tertiary institution in China and has over 20 years of experience in trading and commercial businesses. He has held senior positions in corporate management for a long period and has extensive experience in the industries of pharmacy and real estate property. He has also conducted in heavy machinery logistics business.

Mr. Tong Hing Chi, aged 53, 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 Entertainment Group Limited and the Chairman of China Chief Cable TV Group Limited ("CCCTV Group"), both companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Zhuo Wu, aged 52, appointed as the executive director and the Chief Executive Officer of the Company on 12 December 2007. Mr. Zhuo has over 30 years of experience in the film industry. Prior to joining the Group in December 2007, he had been the Vice President and General Manager of a film studio company and digital media company in China respectively.

Dr. Yap, Allan, aged 52, has been an executive director of the Company since March 2007. Dr. Yap obtained the Honorary degree of Doctor of Laws and has over 26 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 59, was appointed as an Executive Director in November 2004. Mr. Chan has accumulated more than 25 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 is also a non-executive director of CCCTV Group.

Biography of Directors and Senior Management

Independent Non-executive Directors

Mr. Lam Kin Kau, Mark, aged 54, 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 22 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. Law Kwok Leung, aged 48, was appointed as an independent non-executive Director on 31 March 2005. Mr. Law has 24 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 53, was appointed as an independent non-executive Director on 31 March 2005. Mr. Fung has over 18 years of experience in entertainment and video industry.

Senior Management

Mr. Au Yeung Chung Bong, aged 32, 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 8 years of experience in accounting and auditing.

Mr. Chan Lun Ho, aged 38, 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 16 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 2008.

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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 44. 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 45 to 46. 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 page 21.

Distributable Reserves

As at 30 June 2008, the Company had no distributable reserves available for distribution to shareholders of the Company (2007: 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.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30 June 2008.

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 6%
— five largest suppliers combined 14%

Sales

— the largest customer 9%
— five largest customers combined 30%

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 2008, 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:

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. Wen Rui Feng, Brandon	— long position	2,600,000,000	20.80%
	— short position	2,200,000,000	17.60%

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. Wen Rui Feng, Brandon	(appointed on 26 June 2008)
Mr. Tong Hing Chi	
Mr. Zhuo Wu	(appointed on 12 December 2007)
Dr. Yap, Allan	
Mr. Chan Kwok Sun, Dennis	
Mr. Li Kuo Hsing	(resigned on 26 June 2008)
Mr. Fung Wing, Wellington	(resigned on 12 December 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.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 5 to 6 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 2008, 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 of substantial shareholder	Number of shares interested — Long position	Percentage of issued share capital	Number of shares interested — Short position	Percentage of issued share capital
Wen Rui Feng Brandon	2,600,000,000	20.80	2,200,000,000 (4)	17.6
Li Hongrong	2,200,000,000 (1), (4)	17.60	—	—
Tread Up Investments Limited	2,200,000,000 (1), (4)	17.60	—	—
Chan Kwok Keung, Charles	1,069,760,000 (2)	8.55	—	—
ITC Corporation Limited	1,069,760,000 (2)	8.55	—	—
Ng Yuen Lan Macy	1,069,760,000 (2)	8.55	—	—
Famex Investment Limited	760,000,000 (3)	6.08	—	—
Hanny Holdings Limited	760,000,000 (3)	6.08	—	—
Hanny Magnetics (B.V.I.) Limited	760,000,000 (3)	6.08	—	—
ITC Investment Holdings Limited	760,000,000 (3)	6.08	—	—
Mankar Assets Limited	760,000,000 (3)	6.08	—	—
Richeast Holdings Limited	760,000,000 (3)	6.08	—	—
Ma Ho Man Hoffman	740,000,000	5.92	—	—

(1) Refer to the same parcel of shares
(2) Refer to the same parcel of shares and included the 760,000,000 shares as set out in note (3)
(3) Refer to the same parcel of shares
(4) Positions held pursuant to physically settled and unlisted equity derivatives

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 (iv) (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 12 to 15 of the annual report.

Sufficiency of Public Float

The Company maintained a sufficient public float as required under the GEM Listing Rules during the year ended 30 June 2008.

Auditors

The financial statements for the year ended 30 June 2008 have been audited by Hopkins CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Tong Hing Chi
Director

Hong Kong, 26 September 2008

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 2008, 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 2008.

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 2008, 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 5 to 6.

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.

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. Wen Rui Feng, Brandon	1/4
Mr. Tong Hing Chi	4/4
Mr. Zhuo Wu	2/4
Dr. Yap, Allan	4/4
Mr. Chan Kwok Sun, Dennis	4/4
Mr. Li Kuo Hsing	3/4
Mr. Fung Wing, Wellington	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 then directors attended the board meetings to approve the appointment and resignation 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.

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. All of the committee members attended the meetings.

   The Group's unaudited quarterly and interim results and annual audited results during the year ended 30 June 2008 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.

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

Auditors' Remuneration

The statement by the auditors of the Company about their reporting responsibilities is set out in the independent auditor's report on page 16 to 17. During the year, auditor's remuneration for audit services were approximately HK$254,000. Save as disclosed above, there was no other significant non-audit services assignment undertaken by the external auditors during the year.

HOPKINS CPA LIMITED
- 3/F Sun Hung Kai Centre
- 30 Harbour Road
- Hong Kong

Independent Auditor's Report 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 18 to 44, which comprise the consolidated and company balance sheets as at 30 June 2008, 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' 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 2008 and of the Group's results and cash flows for the year 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, 26 September 2008

Consolidated Income Statement

For the year ended 30 June 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Sales	7	**24,356**	5,121
Cost of sales		**(25,218)**	(4,735)
Gross (loss)/profit		**(862)**	386
Other revenues	8	**955**	991
Selling and marketing costs		**(5,655)**	(1,548)
Administrative and other expenses		**(19,852)**	(3,597)
Loss from operating activities	9	**(25,414)**	(3,768)
Finance costs	10	**(121)**	(1,117)
Loss before income tax		**(25,535)**	(4,885)
Income tax expense	11	**—**	(1,235)
Loss for the year attributable to:			
Equity holders of the Company		**(25,535)**	(6,120)
			Restated
Loss per share for loss attributable to the equity holders of the Company during the year			
— basic	14	**(HK0.236 cents)**	(HK0.167 cents)
— diluted	14	**N/A**	N/A

Consolidated Balance Sheet

As at 30 June 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**123**	85
Film rights and films in progress	18	**47,243**	26,062
		47,366	26,147
Current assets			
Accounts receivable	20	**8,045**	—
Prepayments, deposits and other receivables		**5,039**	1,832
Cash and cash equivalents		**19,752**	12,676
		32,836	14,508
LIABILITIES			
Current liabilities			
Deposits received		**(5,759)**	(7,641)
Accounts payable	21	**(92)**	(92)
Accrued liabilities and other payables		**(3,456)**	(2,806)
Borrowings	22	**—**	(3,724)
		(9,307)	(14,263)
Net current assets		**23,529**	245
NET ASSETS		**70,895**	26,392
CAPITAL AND RESERVES			
Issued capital	23	**125,000**	65,000
Reserves		**(54,105)**	(38,608)
		70,895	26,392

Tong Hing Chi
Director

Zhuo Wu
Director

Balance Sheet

As at 30 June 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	**64,680**	21,424
Current assets			
Prepayments, deposits and other receivables		**50**	50
Cash and cash equivalents		**19,486**	12,440
		19,536	12,490
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables		**(232)**	(453)
Borrowings	22	**—**	(3,724)
		(232)	(4,177)
Net current assets		**19,304**	8,313
NET ASSETS		**83,984**	29,737
CAPITAL AND RESERVES			
Issued capital	23	**125,000**	65,000
Reserves		**(41,016)**	(35,263)
		83,984	29,737

Tong Hing Chi
Director

Zhuo Wu
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

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 2006 and 1 July 2006	20,000	18,940	17,590	(68,503)	(11,973)
Proceeds/(issuing expenses) from shares issue	45,000	(515)	—	—	44,485
Loss for the year	—	—	—	(6,120)	(6,120)
At 30 June 2007 and 1 July 2007	65,000	18,425	17,590	(74,623)	26,392
Proceeds from shares issue *(Note 23)*	60,000	10,038	—	—	70,038
Loss for the year	—	—	—	(25,535)	(25,535)
At 30 June 2008	125,000	28,463	17,590	(100,158)	70,895

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 2006 and 1 July 2006	20,000	18,940	(45,132)	(6,192)
Proceeds/(issuing expenses) from shares issue	45,000	(515)	—	44,485
Loss for the year	—	—	(8,556)	(8,556)
At 30 June 2007 and 1 July 2007	65,000	18,425	(53,688)	29,737
Proceeds from shares issue *(Note 23)*	60,000	10,038	—	70,038
Loss for the year	—	—	(15,791)	(15,791)
At 30 June 2008	125,000	28,463	(69,479)	83,984

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
Cash flows from operating activities			
Loss before taxation		**(25,535)**	(4,885)
Adjustments for:			
Finance costs	*10*	**121**	1,117
Interest income		**(733)**	(239)
Amortisation of film rights		**21,910**	3,041
Impairment losses on film rights and films in progress		**11,367**	—
Depreciation		**50**	28
Operating profit/(loss) before working capital changes		**7,180**	(938)
(Increase)/Decrease in accounts receivable		**(8,045)**	159
(Increase)/Decrease in prepayments, deposits and other receivables		**(3,207)**	923
Increase in deposits received		**(1,882)**	6,201
Decrease in accounts payable		**—**	(365)
Increase in accrued liabilities and other payables		**650**	618
Net cash (used in)/generated from operating activities		**(5,304)**	6,598
Cash flows from investing activities			
Acquisition of film	*18*	**(54,458)**	(25,720)
Purchase of property, plant and equipment		**(88)**	(113)
Interest received		**733**	239
Net cash used in investing activities		**(53,813)**	(25,594)
Cash flows from financing activities			
Proceeds from issue of new shares		**72,600**	45,000
Share issue expenses		**(2,562)**	(515)
Proceeds from related companies' borrowings		**—**	25
Repayments of related companies' borrowings		**(3,724)**	(7,130)
Repayments of other borrowings		**—**	(4,437)
Interest paid		**(121)**	(1,239)
Net cash generated from financing activities		**66,193**	31,704
Net increase in cash and cash equivalents		**7,076**	12,708
Cash and cash equivalents at beginning of the year		**12,676**	(32)
Cash and cash equivalents at end of the year		**19,752**	12,676
Analysis on cash and cash equivalents			
Cash and bank deposits		**19,752**	12,676

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 26 September 2008.

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.

1.1 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.

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 2007. 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.

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

(Continued)

1.1 Basis of preparation *(Continued)*

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 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 (Amendment)	Financial Instruments: Presentation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arranagements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1. Effective for annual periods beginning on or after 1 January 2009.
2. Effective for annual periods beginning on or after 1 July 2009.
3. Effective for annual periods beginning on or after 1 January 2008.
4. Effective for annual periods beginning on or after 1 July 2008.

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;

(iii) Management Fee Income

Management fee income is recognised when services are rendered; and

(iv) 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

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associated company of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

4. Financial risk management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow and fair value 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.

The ageing analysis of accounts receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Neither past due nor impaired	**6,989**	–
Past due but not impaired: Over 180 days	**1,056**	–
	8,045	–

(ii) Liquidity Risk

The Group does not have any significant exposure to liquidity risk as the Group does not rely on external financing and the Group was in net current asset position as at 30 June 2008.

4. Financial risk management *(Continued)*

4.1 Financial Risk Factors *(Continued)*

(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.

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. During the year, impairment losses of HK$11,367,000 (2007: Nil) was 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 (i) the production of video and films, the licensing of video and copyrights/film rights and (ii) artiste management. No analysis of business segment, the primary segment, is provided as less than 10% of the consolidated revenues and of the consolidated assets of the Group were attributable to artiste management.

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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**10,826**	3,558	**6,388**	232	**6,728**	1,011	**414**	320	**24,356**	5,121
Segment results	**(11,721)**	(3,307)	**(6,916)**	(215)	**(7,284)**	(940)	**(448)**	(297)	**(26,369)**	(4,759)
Other revenues									**222**	752
Interest income									**733**	239
Finance costs									**(121)**	(1,117)
Loss before taxation									**(25,535)**	(4,885)
Taxation									**–**	(1,235)
Loss attributable to shareholders									**(25,535)**	(6,120)

7. Turnover

	2008	2007
	HK$'000	*HK$'000*
Licensing and sub-licensing fee income	**23,534**	5,121
Income from artiste management	**822**	—
	24,356	5,121

8. Other revenues

	2008 HK$'000	2007 HK$'000
Interest income	733	239
Others	222	752
	955	991

9. Loss from operating activities

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

	2008 HK$'000	2007 HK$'000
Auditor's remuneration		
— current year	254	215
— over provision in prior years	—	(24)
	254	191
Cost of film and sub-licensing rights*	25,218	4,735
Depreciation	50	28
Impairment losses on film rights and films in progress	11,367	—
Staff costs (including directors' remuneration)	4,253	1,851
Minimum lease payments under operating leases in respect of land and buildings to:		
— a related company	303	152
— others	80	—

* The cost of film and sub-licensing rights for the year include amortisation of film rights of approximately HK$21,910,000 (2007: HK$3,041,000).

10. Finance costs

	2008 HK$'000	2007 HK$'000
Interest expense:		
— Interest on bank overdrafts	9	75
— Interest on bank loan	37	146
— Interest on shareholder's loan	—	30
— Interest on related companies' loans	75	866
	121	1,117

11. Income tax expense

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

	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	—
Deferred income tax	**—**	1,235
	—	1,235

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

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(25,535)**	(4,885)
Calculated at a taxation rate of 16.5% (2007: 17.5%)	**(4,213)**	(855)
Tax effect on non-assessable income	**(121)**	—
Tax effect on non-deductible expenses	**740**	157
Tax effect on unused tax losses not recognised	**3,597**	1,942
Tax effect on deductible temporary differences not recognised	**(3)**	(9)
	—	1,235

12. Staff costs (including directors' emoluments)

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**4,181**	1,810
Pension costs — defined contribution plans	**72**	41
	4,253	1,851

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

(a) Directors' and Senior Management's Emoluments

The directors' remuneration for the year ended 30 June 2008 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. Wen Rui Feng, Brandon	—	—	—	—
Mr. Tong Hing Chi	200	—	—	200
Mr. Yap, Allan	200	—	—	200
Mr. Zhuo Wu	—	376	7	383
Mr. Li Kuo Hsing	400	—	—	400
Mr. Fung Wing, Wellington	—	398	5	403
Mr. Chan Kwok Sun, Dennis	—	405	12	417
* Mr. Lam Kin Kau, Mark	50	—	—	50
* Mr. Law Kwok Leung	20	—	—	20
* Mr. Fung Wing Keung	20	—	—	20
	890	1,179	24	2,093

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

Notes:

No director waived or agreed to waive any of their emoluments in respect of two years ended 30 June 2007 and 2008.

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 2007 and 2008.

* *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 (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Salaries and allowances	**608**	264
Retirement scheme contributions	**20**	11
	628	275

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 2008 and 2007.

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$15,791,000 (2007: net loss of HK$8,556,000).

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$25,535,000 (2007: HK$6,120,000), and the weighted average of 10,823,287,671 (2007: 3,664,383,560 as restated to reflect the effect of share subdivision effective from 1 April 2008) ordinary shares in issue during the year.

Diluted earnings per share amounts for each of the two years ended 30 June 2008 and 2007 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 2008 nor has any dividend been proposed since the balance sheet date (2007: 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 2006	—	80	150	327	557
Additions	15	58	40	—	113
At 30 June 2007	15	138	190	327	670
Additions	60	28	—	—	88
At 30 June 2008	75	166	190	327	758
Accumulated depreciation					
At 1 July 2006	—	80	150	327	557
Charge for the year	4	14	10	—	28
At 30 June 2007	4	94	160	327	585
Charge for the year	19	21	10	—	50
At 30 June 2008	23	115	170	327	635
Net book value					
At 30 June 2008	52	51	20	—	123
At 30 June 2007	11	44	30	—	85

17. Deferred income tax assets

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**–**	1,235
Transfer to income statement *(Note 11)*	**–**	(1,235)
End of the year	**–**	–

The Group has not taken into account of HK$5,391,000 (2007: HK$2,072,000) 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	
	2008	2007
	HK$'000	*HK$'000*
Film rights	**22,061**	3,083
Films in progress	**25,182**	22,497
Sub-licensing rights	**–**	482
	47,243	26,062

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 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
Addition	50,288	4,170	—	54,458
Amortisation	(21,910)	—	—	(21,910)
Impairment losses	(9,400)	(1,485)	(482)	(11,367)
Net book value at 30 June 2008	22,061	25,182	—	47,243

19. Interests in subsidiaries

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost:	**100**	100
Amounts due from subsidiaries	**122,481**	66,525
Less: Provision for doubtful debts	**(57,901)**	(45,201)
	64,680	21,424

The amounts due from 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 2008:

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, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**2,353**	—
Between 31 to 60 days	**—**	—
Between 61 to 90 days	**4**	—
Between 91 to 180 days	**4,632**	—
Over 180 days	**1,056**	—
	8,045	—

The Group's credit term granted to trade debtors generally ranges from 30-180 days.

21. Accounts payable

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**–**	–
Between 31 to 60 days	**–**	–
Between 61 to 90 days	**–**	–
Over 90 days	**92**	92
	92	92

22. Borrowings

The short term loan was fully repaid during the year. As at 30 June 2007, the short term loan was secured by all property and assets of several subsidiaries of the Group.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Short term loan, secured and repayable within one year	**–**	3,724

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		850,000,000	170,000
At 30 June 2007		1,000,000,000	200,000
Issue of new shares	*Note (a)*	1,000,000,000	200,000
At 31 March 2008		2,000,000,000	400,000
Effect of share subdivision	*Note (b)*	38,000,000,000	–
At 30 June 2008 (ordinary shares of HK$0.01 each)		40,000,000,000	400,000
Issued and fully paid:			
At 1 July 2006		100,000,000	20,000
Issue of new shares		225,000,000	45,000
At 30 June 2007		325,000,000	65,000
Issue of new shares	*Note (a)*	300,000,000	60,000
At 31 March 2008		625,000,000	125,000
Effect of share subdivision	*Note (b)*	11,875,000,000	–
At 30 June 2008 (ordinary shares of HK$0.01 each)		12,500,000,000	125,000

Note (a): On 25 June 2007, the Company entered into a share placing agreement (the "Placing Agreement") with a placing agent an aggregate of 300,000,000 new ordinary shares of the Company at a consideration of HK$0.242 per share. Details of the subscription agreements were set out in the Company's circular dated 23 July 2007.

Following the extraordinary general meeting carried on 8 August 2007 (the "EGM"), the resolution in respect of the subscription agreements were passed and shares were alloted on 11 October 2007.

In the EGM, resolution in respect of the increase in authorised share capital of the Company to HK$400,000,000 by the creation of an additional 1,000,000,000 new ordinary shares of HK$0.2 each was also passed.

Note (b): Pursuant to a resolution passed in an extraordinary general meeting on 31 March 2008, each of the issued and unissued shares of the Company of HK$0.2 each were subdivided into 20 shares of HK$0.01 each with effect from 1 April 2008.

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.

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

The Company has no contingent liabilities as at 30 June 2008. 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 2008, the Group had future minimum lease payments under non-cancellable operating lease are payable as follows;

	2008 *HK$'000*	2007 *HK$'000*
Not later than 1 year	**423**	303
Later than 1 year and not later than 5 years	**30**	304
	453	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:

		2008 *HK$'000*	2007 *HK$'000*
(i)	Office operating lease rental in respect of land & building paid to Mei Ah Investment Company Limited	**177**	152
(ii)	Distribution commission paid to Mei Ah Development Company Limited	**232**	143
(iii)	Licensing income received from		
	— Mei Ah (HK) Company Limited	**1,031**	245
	— MATV Limited	**2,140**	50
(iv)	Co-production with Mei Ah Film Production Company Limited	**7,800**	—

Mei Ah Investment Company Limited, Mei Ah Development Company Limited, Mei Ah (HK) Company Limited, MATV Limited and Mei Ah Film Production Company Limited are fellow subsidiaries of Fintage Asia Corporation which was a substantial shareholder of the Company prior to 25 January 2008.

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.

28. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group mainly consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits. The directors of the Company review the capital structure on a quarterly basis.

Financial Summary

30 June 2008

The following is a summary of the published consolidated results and of the assets and liabilities of the Group:

Results

	Year ended 30 June				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**24,356**	5,121	4,103	1,763	20,593
Cost of sales	**(25,218)**	(4,735)	(4,385)	(5,704)	(7,724)
Gross profit/(loss)	**(862)**	386	(282)	(3,941)	12,869
Other revenues	**955**	991	453	262	51
Selling and distribution costs	**(5,655)**	(1,548)	—	(253)	(1,371)
Administrative and other expenses	**(19,852)**	(3,597)	(1,478)	(49,700)	(8,570)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	**(25,414)**	(3,768)	(1,307)	(53,632)	2,979
Finance costs	**(121)**	(1,117)	(1,259)	(1,659)	(750)
(LOSS)/PROFIT BEFORE TAXATION	**(25,535)**	(4,885)	(2,566)	(55,291)	2,229
Taxation	**—**	(1,235)	(595)	5	(651)
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(25,535)**	(6,120)	(3,161)	(55,286)	1,578

Financial Summary

30 June 2008

Assets and Liabilities

	As at 30 June				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**47,366**	26,147	1,846	2,441	11,406
Current assets	**32,836**	14,508	7,294	3,174	54,815
Current liabilities	**(9,307)**	(14,263)	(17,612)	(18,340)	(25,614)
Net current assets/(liabilities)	**23,529**	245	(10,318)	(15,166)	29,201
Non-current liability	**—**	—	(3,501)	(11,000)	(9,046)
	81,780	26,392	(11,973)	(23,725)	31,561