

BIG MEDIA GROUP LIMITED
天下媒體集團有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8167)

INTERIM REPORT
2008-2009

For the three months and six months ended
31 December 2008

* *For identification purpose only*

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 of the Exchange 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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RESULTS

The board of directors (the “Board”) of BIG Media Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2008 together with comparative unaudited figures for the corresponding period of 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
TURNOVER	2	23,285	804	27,164	5,580
Cost of sales		<u>(19,209)</u>	<u>(698)</u>	<u>(22,455)</u>	<u>(4,601)</u>
Gross profit		4,076	106	4,709	979
Other revenue	2	49	529	127	563
Selling and distribution costs		(8,214)	(563)	(10,046)	(2,061)
Administrative expenses		<u>(9,456)</u>	<u>(1,422)</u>	<u>(10,779)</u>	<u>(2,620)</u>
LOSS FROM OPERATING ACTIVITIES	3	(13,545)	(1,350)	(15,989)	(3,139)
Finance costs	4	<u>(1)</u>	<u>(32)</u>	<u>(7)</u>	<u>(113)</u>
LOSS BEFORE TAXATION		(13,546)	(1,382)	(15,996)	(3,252)
Taxation	5	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(13,546)</u>	<u>(1,382)</u>	<u>(15,996)</u>	<u>(3,252)</u>
LOSS PER SHARE	6				
Basic		<u>(0.11 cent)</u>	<u>(0.01 cent)</u>	<u>(0.13 cent)</u>	<u>(0.04 cent)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2008 (unaudited) HK\$'000	30 June 2008 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		703	123
Film rights and films in progress	8	<u>35,175</u>	<u>47,243</u>
		<u>35,878</u>	<u>47,366</u>
CURRENT ASSETS			
Accounts receivable	9	11,975	8,045
Prepayments, deposits and other receivables		14,595	5,039
Cash and bank balances		<u>1,665</u>	<u>19,752</u>
		<u>28,235</u>	<u>32,836</u>
CURRENT LIABILITIES			
Accounts payable	10	(92)	(92)
Deposits received, accrued liabilities and other payables		(8,737)	(9,215)
Obligations under finance leases — current portion		<u>(257)</u>	<u>—</u>
		<u>(9,086)</u>	<u>(9,307)</u>
NET CURRENT ASSETS		<u>19,149</u>	<u>23,529</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>55,027</u>	<u>70,895</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases — non-current portion		<u>(128)</u>	<u>—</u>
NET ASSETS		<u>54,899</u>	<u>70,895</u>
CAPITAL AND RESERVES			
Issued capital	11	125,000	125,000
Reserves		<u>(70,101)</u>	<u>(54,105)</u>
		<u>54,899</u>	<u>70,895</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 December	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(5,569)	4,211
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(165)	66,314
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(12,353)</u>	<u>(21,908)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,087)	40,195
CASH AND CASH EQUIVALENTS AT 1 JULY	<u>19,752</u>	<u>12,676</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>1,665</u>	<u>52,871</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>1,665</u>	<u>52,871</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2007	65,000	18,425	17,590	(74,623)	26,392
Proceeds net of issuing expenses from shares issue	60,000	10,038	—	—	70,038
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,252)</u>	<u>(3,252)</u>
At 31 December 2007	<u>125,000</u>	<u>28,463</u>	<u>17,590</u>	<u>(77,875)</u>	<u>93,178</u>
At 1 July 2008	125,000	28,463	17,590	(100,158)	70,895
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,996)</u>	<u>(15,996)</u>
At 31 December 2008	<u>125,000</u>	<u>28,463</u>	<u>17,590</u>	<u>(116,154)</u>	<u>54,899</u>

Notes:

1. Basis of preparation

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2008. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2009 have no material impact on the Group. This condensed consolidated interim financial information for the half year ended 31 December 2008 has been prepared in accordance with HKAS 34 "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2008.

2. Turnover, revenues and segment information

Turnover represents licensing fee income and income from artiste management.

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

	For the six months ended 31 December 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover — licensing of film rights	25,380	5,580
— artiste management	1,784	—
	<u>27,164</u>	<u>5,580</u>
Other revenues	127	563
Total revenues	<u>27,291</u>	<u>6,143</u>

The Group is principally engaged in (i) the production of video and films, and 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 less than 10% of the consolidated turnover and of the consolidated trading results of the Group were attributable to markets outside Hong Kong and China during the period, no analysis of geographical segment information is presented.

3. Loss from operating activities

Loss from operating activities is stated after charging:

	For the six months ended 31 December 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Amortisation of film rights	18,363	2,724
Impairment losses on film rights	6,000	—
Depreciation	70	16
Staff costs	2,396	1,627
	<u>26,829</u>	<u>4,367</u>

4. Finance costs

	For the six months ended 31 December 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Interest on obligations under finance leases	7	—
Interest on bank overdrafts wholly repayable within one year	—	1
Interest on bank loan	—	37
Interest on shareholder's loan	—	75
	<u>7</u>	<u>113</u>

5. Taxation

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the period (2007: Nil). The Group has no material unprovided deferred taxation in respect of the period under review (2007: Nil).

6. Loss per share

The basic loss per share for the three months and six months ended 31 December 2008 are calculated based on the unaudited consolidated loss attributable to shareholders of the Company of approximately HK\$13,546,000 and HK\$15,996,000 respectively (2007: approximately HK\$1,382,000 and HK\$3,252,000 respectively) and on a weighted average number of 12,500,000,000 shares in issue during the periods (2007: 11,847,826,080 shares and 9,173,913,040 shares respectively as restated to reflect the effect of the share subdivision effective from 1 April 2008).

Diluted loss per share for the three months and six months ended 31 December 2008 and 2007 has not been disclosed as no dilutive event existed during these periods.

7. **Dividends**

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008 (2007: Nil).

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

	31 December 2008 (unaudited) HK\$'000	30 June 2008 (audited) HK\$'000
Film rights	22,282	22,061
Films in progress	12,893	25,182
	<u>35,175</u>	<u>47,243</u>

9. **Accounts receivable**

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

	31 December 2008 (unaudited) HK\$'000	30 June 2008 (audited) HK\$'000
Within 30 days	2,261	2,353
Between 31 to 60 days	—	—
Between 61 to 90 days	—	4
Between 91 to 180 days	2,357	4,632
Over 180 days	7,357	1,056
	<u>11,975</u>	<u>8,045</u>

10. **Accounts payable**

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

	31 December 2008 (unaudited) HK\$'000	30 June 2008 (audited) HK\$'000
Within 30 days	—	—
Between 31 to 60 days	—	—
Between 61 to 90 days	—	—
Over 90 days	92	92
	<u>92</u>	<u>92</u>

11. **Share capital**

	Number of ordinary shares of HK\$0.01 each	Value HK\$'000
<i>Authorised:</i> At 1 July 2008 and 31 December 2008	40,000,000,000	400,000
<i>Issued and fully paid:</i> At 1 July 2008 and 31 December 2008	12,500,000,000	125,000

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the six months ended 31 December 2008 amounted to approximately HK\$27.2 million (2007: approximately HK\$5.6 million), representing around 4 times increments when compared to last year which was mainly attributable to the release of a new film titled "Butterfly lovers" was launched in the second quarter of the financial year.

PROSPECTS

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 PRC, 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 will 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.

On 3 November 2008, the Company entered into a memorandum of understanding acquire the entire equity interests of China Shenzhou Telecommunications Company Limited (The "Acquisition") which, together with its subsidiaries, are principally engaged in installation of wireless internet facilities and networks in the PRC. The Acquisition is still subject to the signing of a formal sale and purchase agreement and accordingly it may or may not proceed.

MANAGEMENT CONTRACTS

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

GEARING RATIO

As at 31 December 2008, the Group's gearing ratio, which was based on the obligations under finance leases of HK\$385,000 divided by net asset value of HK\$54,899,000, was 0.7%.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Since most of the Group's borrowings, cash balances and income are primarily denominated in Hong Kong dollars, no hedging or other alternatives have been implemented. The Group has not experienced any material difficulty or effect on its operations of liquidity as a result of fluctuations in currency exchange rates. As at 31 December 2008, the Group did not have outstanding hedging instruments.

CHARGES ON GROUP ASSETS

At 31 December 2008, there were no charges on the Group's assets.

EMPLOYEES

As at 31 December 2008, the Group had 11 full-time staffs. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including discretionary bonus and mandatory provident fund.

CONTINGENT LIABILITIES

As at 31 December 2008, the Company has no contingent liabilities.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, the Group did not have any plan for material investments and acquisition of material capital assets as at 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There had been no material acquisitions and disposals of subsidiaries during the period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 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:

Long positions in the shares of the Company

Name of director	Corporate interest	Percentage of shareholding
Mr. Li Hongrong	2,000,000,000	16.00%

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director of the Company, as at 31 December 2008, shareholders (other than Directors of the Company) who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholder	Number of shares held	Percentage of issued share capital
Li Hongrong	2,000,000,000	16.00
Chan Kwok Keung, Charles	1,019,760,000 ⁽¹⁾	8.15
ITC Corporation Limited	1,019,760,000 ⁽¹⁾	8.15
Ng Yuen Lan Macy	1,019,760,000 ⁽¹⁾	8.15
Famex Investment Limited	780,000,000 ⁽²⁾	6.24
Hanny Holdings Limited	780,000,000 ⁽²⁾	6.24
Hanny Magnetics (B.V.I.) Limited	760,000,000 ⁽³⁾	6.08
ITC Investment Holdings Limited	780,000,000 ⁽²⁾	6.24
Mankar Assets Limited	780,000,000 ⁽²⁾	6.24
Richeast Holdings Limited	760,000,000 ⁽³⁾	6.08
Lu Yan Tong	640,640,000	5.13

(1) Refer to the same parcel of shares and included the 760,000,000 shares as set out in note (3)

(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

CORPORATE GOVERNANCE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or and of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months and six months ended 31 December 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months and six months ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee which comprises the three independent non-executive directors of the Company, with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The interim results and report were reviewed by the audit committee.

By order of the Board
Tong Hing Chi
Director

Hong Kong, 13 February 2009

The Board comprises of:

Mr. Li Hongrong (*Executive Director*)

Mr. Tong Hing Chi (*Executive Director*)

Dr. Yap, Allan (*Executive Director*)

Mr. Chan Kwok Sun, Dennis (*Executive Director*)

Mr. Zhuo Wu (*Executive Director*)

Mr. Lam Kin Kau, Mark (*Independent Non-executive Director*)

Mr. Law Kwok Leung (*Independent Non-executive Director*)

Mr. Fung Wing Keung (*Independent Non-executive Director*)

Mr. Chen Xiao Rong (*Independent Non-executive Director*)