

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)

FIRST QUARTERLY REPORT
2009

For the three months ended
30 September 2009

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 Stock 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.

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This document, for which the directors of Big Media Group Limited (the “Directors”) 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 (the “GEM Listing Rules”) 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.

QUARTERLY RESULTS

The board of directors (the “Board”) of BIG Media Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 30 September 2009 together with comparative unaudited figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	3	3,923	3,879
Cost of sales		<u>(3,416)</u>	<u>(3,246)</u>
Gross profit		507	633
Other revenues	3	83	78
Selling and marketing costs		(833)	(1,832)
Administrative and other expenses		<u>(3,231)</u>	<u>(1,323)</u>
Loss from operating activities		(3,474)	(2,444)
Finance costs		<u>(8)</u>	<u>(6)</u>
Loss before income tax		(3,482)	(2,450)
Income tax expense	4	<u>—</u>	<u>—</u>
Loss for the period attributable to: Owners of the Company		<u><u>(3,482)</u></u>	<u><u>(2,450)</u></u>
Loss per share for loss attributable to owners of the Company during the period — basic (in HK cents)	5	<u><u>(0.03)</u></u>	<u><u>(0.02)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Loss for the period	(3,482)	(2,450)
Other comprehensive income: Exchange difference arising on translation of foreign operations	<u>(4)</u>	<u>—</u>
Total comprehensive loss for the period	<u><u>(3,486)</u></u>	<u><u>(2,450)</u></u>
Attributable to: Owners of the Company	<u><u>(3,486)</u></u>	<u><u>(2,450)</u></u>

Notes:

1. General information

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 Group is principally engaged in (i) the production and sales of videos and films, licensing of video and copyrights/film rights, (ii) artiste management and (iii) sales and distribution of telecommunication products.

These unaudited condensed consolidated results are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated.

2. Basis of preparation and accounting policies

The unaudited consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certificate Public Accountants (“HKICPA”). The unaudited 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 period, 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 July 2009. The adopting of the new HKFRSs has had no material effect on the Group’s financial statements.

The accounting policies have been consistently applied by the Group and are consistent with those used in the 2009 annual report.

3. Turnover and other revenues

Turnover represents licensing and sub-licensing fee income and income from artiste management. The Group is principally engaged in (i) the production and sales of video and films, licensing of video and copyrights/film rights, (ii) artiste management; and (iii) sales and distribution of telecommunication products.

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

	For the three months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Licensing and sub-licensing fee income	2,518	3,134
Income from artiste management	1,405	745
Sales of telecommunication products	—	—
Turnover	3,923	3,879
Other revenues	83	78
Total revenues	4,006	3,957

4. Income tax expense

No provision for Hong Kong profits tax has been made for the Group as it incurred losses for the three months ended 30 September 2009 (2008: Nil).

The Group has no material unprovided deferred taxation in respect of the period under review (2008: Nil).

5. Loss per share

The basic loss per share for the three months ended 30 September 2009 is calculated based on the unaudited consolidated loss attributable to owners of the Company for the three months ended 30 September 2009 of approximately HK\$3,482,000 (2008: approximately HK\$2,450,000) and the weighted average of 12,500,000,000 shares of the Company (2008: 12,500,000,000 shares) in issue during the periods.

Diluted loss per share for the three months ended 30 September 2009 and 2008 have not been disclosed as no diluting event existed during these periods.

6. Share capital and reserves

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserves HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2008 (Audited)	125,000	28,463	17,590	—	(100,158)	70,895
Total comprehensive loss for the period (Unaudited)	—	—	—	—	(2,450)	(2,450)
At 30 September 2008	125,000	28,463	17,590	—	(102,608)	68,445
At 1 July 2009 (Audited)	125,000	28,463	17,590	—	(133,993)	37,060
Total comprehensive loss for the period	—	—	—	(4)	(3,482)	(3,486)
At 30 September 2009 (Unaudited)	125,000	28,463	17,590	(4)	(137,475)	33,574

7. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the three months period ended 30 September 2009, the Group recorded a turnover of approximately HK\$3,923,000 (2008: approximately HK\$3,879,000), representing a slight increase of HK\$44,000 or 1% as compared to the same quarter last year. The Group recorded a loss of HK\$3,482,000 which is HK\$1,032,000 or 42% more for this quarter as compared with the same quarter last year. The loss is mainly due to the low level of turnover and the increase of operating cost. The gross profit for the period is HK\$507,000 which is slightly decrease of HK\$126,000 or 20% less than the same period last year. The gross profit margin is 13% as compared to 16% for the same period last year. It has dropped slightly of 3% due to the increase of cost of sales.

Business Review

The Company maintained its regular core businesses in two main areas, namely, licensing and sub licensing fee income and also from artiste management. The turnover for the period remains low and almost the same as last year. The licensing and sub licensing fee income recorded HK\$2,518,000 and accounted 64% of the total income for this period. The income for this period has decreased of 20% or HK\$616,000 as compared to the last year same period. The income from artiste management is HK\$1,405,000 which accounted for 36% of the total income. The figure has increased 89% or HK\$660,000 more than the same period last year.

The total operating cost is HK\$4,064,000 which represents an increase of HK\$909,000 or 29% more than the same period last year. The major cost is the administrative cost which make up 80% of the total operating cost. The cost has increased almost HK\$1,908,000 or 1.4 times as compared to the same period last year. The increase is mainly due to the initial cost of spent in training, recruiting staff, and also administrative cost related to Company activities to expand the telecommunication business for telephone card. The Company is also establishing the ISO standard and is in the process of starting the engagement of consultant to implement the process and conduct training in this area.

The other major expenses is selling and marketing costs which is HK\$833,000 and accounts for 20% of the total operating cost. However this cost has dropped almost HK\$999,000 or 55% as compared to the same period last year. The Company is starting a sell office in Fushan. As for the telephone card business, the Company is trying to expand the business in Hong Kong and overseas by cooperating with the telephone operator in Hong Kong. The Company is also in the discussion stage with related parties to expand card business to the university in China.

The Company has made an effort to expand into information related business such as internet business through the acquisition of China Wimetro Telecommunication Company Limited. The acquisition is completed on 9 September 2009 and the total consideration for the acquisition is HK\$136,200,000. The Company has signed an cooperating agreement with Baidu in this quarter to become the sole and exclusive agent in Guangzhou Province for the map search service. The Company will play a marketing role in the Guangzhou Province area to market the map search service for Baidu. The cooperation is in the starting phase. The Company is expected to spend some resources to develop this business and also to build up the sale from this area slowly and steadily.

Business Outlook and Prospect

The business and economic condition in China remain robust and active. The GDP for the third quarter of 2009 recorded remains strong and accelerates to 8.9%. The government has launched massive stimulus program to create internal demand in order to compensate for the loss of export. The world financial crises caused by the US subprime loan which is experienced by many nations in the early of this year has eased. We expect the business environment for the Company in Guangzhou or Southern area will be good and positive.

We expect the growth in the telecommunication and internet related business will achieve the needed growth due to the conducive economy and business environment. The Company is expected to increase more business sales volume in the internet related business in order to capture the upturn condition of the economy.

The management of the Company will also monitor the operating cost in order to keep in within the reasonable increase due to the inflation caused by the good economy situation and also expansion activities of the Company.

The Company is also continuing looking out for potential business to invest especially in the information and telecommunication area in order to enlarge the business volume for the Company which is still low.

ACQUISITION OF MAJOR SUBSIDIARIES

On 5 June 2009, Joyful New Limited, a subsidiary of the Company entered into a sale and purchase agreement to acquire the entire issued share capital of China Wimetro Communications Company Limited (the "Acquisition") which, together with its subsidiaries, are principally engaged in sale and distribution of telecommunication products in People's Republic of China. Details of the Acquisition were set out in the Company's announcement dated 10 June 2009, 10 September 2009 and 12 October 2009 and the circular dated 30 June 2009. The completion of the Acquisition had taken place on 9 September 2009.

SUBSEQUENT EVENT

Pursuant to the announcement dated 10 September 2009, the Acquisition was completed on 9 September 2009. According to the sale and purchase agreement dated 5 June 2009 and the announcement dated 12 October 2009, 363,200,000 ordinary shares have been allotted and issued by the Company to Mr. Lee Tak Ming (the "Vendor") and parties nominated by the Vendor on 12 October 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2009, 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 Stock 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 of interests 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	Nature of interest	No. of ordinary shares held	Approximate shareholding percentage
Mr. Li Hongrong	Interest of controlled corporation (<i>Note</i>)	2,000,000,000 Shares	16.0%
Ms. Chen Xiao Rong	Beneficial owner	3,000,000 Shares	0.02%

Note: These Shares are held by Tread Up Investments Limited, of which Mr. Li Hongrong has 100% control. Thus, he is deemed to be interested in the 2,000,000,000 Shares held by Tread Up Investments Limited pursuant to the SFO.

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 adopted 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, independent non-executive Directors and employees of the Group, and suppliers of goods or services to the Group.

No share option has been granted by the Company under the Scheme up to the date of this report.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 September 2009, 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:

Long positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding
ITC Corporation Limited	Interest of controlled corporation (<i>Note 1</i>)	926,760,000 Shares	7.41%
ITC Investment Holdings Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.64%
Mankar Assets Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.64%
Famex Investment Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.64%
Hanny Holdings Limited	Beneficial owner	20,000,000 Shares	0.16%
	Interest of controlled corporation (<i>Note 1</i>)	685,000,000 Shares	5.48%
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporation (<i>Note 1</i>)	685,000,000 Shares	5.48%
Richeast Holdings Limited	Beneficial owner	685,000,000 Shares	5.48%
Mr. Lu Yan Tong	Beneficial owner	922,080,000 Shares	7.40%
Mr. Lee Tak Ming	Beneficial owner	908,000,000 Shares (<i>Note 2</i>)	7.06%

Notes:

1. The 926,760,000 Shares deemed to be interested by ITC Corporation Limited are held as to (i) 685,000,000 Shares by Richeast Holdings Limited, which is 100% controlled by Hanny Magnetics (B.V.I.) Limited, which is 100% controlled by Hanny Holdings Limited (the issue shares of which are listed on the Stock Exchange), which is 49.9% controlled by Famex Investment Limited, which is 100% controlled by Mankar Assets Limited, which is 100% controlled by ITC Investment Holdings Limited, which in turn is 100% controlled by ITC Corporation Limited (the issue shares of which are listed on the Stock Exchange); (ii) 20,000,000 Shares by Hanny Holdings Limited; and (iii) 221,760,000 Shares held by Great Intelligence Holdings Limited, which is 100% controlled by ITC Management Group Limited, which in turn is 100% controlled by ITC Corporation Limited.
2. These Shares represent the consideration shares to be allotted and issued under the conditional sale and purchase agreement dated 5 June 2009 entered into between the Group and Mr. Lee Tak Ming in relation to the acquisition of entire issued capital of China Wimetro Communications Company Limited. The acquisition was completed on 9 September 2009.

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.

CORPORATE GOVERNANCE PRACTICES

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 A.4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors, however, they are subject to retirement by rotation in accordance with the Articles of Association of the Company and the Code on Corporate Governance Practices of the GEM Listing Rules. Accordingly the Company considers that sufficient measures have been taken to deal 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 is 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 any 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 ended 30 September 2009.

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 ended 30 September 2009.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) which comprises three independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee has reviewed the Company’s unaudited financial statements for the three months ended 30 September 2009 and has provided advice and comments thereon.

On behalf of the Board
Li Hongrong
Executive Director

Hong Kong, 12 November 2009

The Board comprises of:

Mr. Li Hongrong (*Executive Director*)
Mr. Tong Hing Chi (*Executive Director*)
Mr. Zhuo Wu (*Executive Director*)
Mr. Zhou Zhibin (*Executive Director*)
Mr. Lam Kin Kau, Mark (*Independent non-executive Director*)
Mr. Fung Wing Keung (*Independent non-executive Director*)
Mr. Law Kwok Leung (*Independent non-executive Director*)
Ms. Chen Xiao Rong (*Independent non-executive Director*)