

BUY

13 April 2005

FY04 results – Weaker than expected

- **FY04 net profit of HK\$53mn:** An 88% yoy surge in net profit was mainly boosted by the disposal gain of about HK\$31mn from the China Business Post in Nov 2004.
- **Slower than expected growth:** Stripped off the discontinued operations in FY03, the Group's media-related revenue grew at only 15.8 yoy to HK\$77mn, weaker than our expectation. FY04 operating profit generated from the media business was flat at HK\$35mn. The results were a bit disappointing. Although the Group said that it raised average card rates of *Caijing Magazine* and *New Real Estate* by 15% and 20%, respectively early 2004, its operational performance was only mildly boosted.
- **Maiden dividend supported by strong balance sheet:** On the positive side, the Group declared a final dividend of HK\$0.01 per share, or a payout ratio of 29% (or 69% ex-exceptional). As at year-end 2004, it had a net cash position of over HK\$100mn.
- **Near-term growth drivers:** According to the management, the Group managed to raise its renowned *Caijing Magazine's* average card rate by another 13% early 2005. The Group is awaiting the relevant authorities' approval regarding the plan of changing *Caijing* from biweekly to weekly.
- **Valuation:** The Group is trading at about 18x historical FY04 ex-exceptional PE. Its current yield is about 3.4%. In light of slower-than-expected growth, we have adjusted our profit estimates downwards. We have also revised our price target to HK\$0.32 based on 15x FY05F PE.

HK\$1 = Rmb1.06

KEY DATA

Sector	Media
Share price	HK\$0.265
Stock code	205
Shares O/S	1,547.12mn
Mkt. Cap	HK\$410mn
52wks High-Low	HK\$0.63-0.255
NAV per share	HK\$0.164
Major Shareholders	United Home (44%)

Price Performance



Source: Bloomberg

Earnings Summary

Year end: Dec 31	FY02A	FY03A	FY04A	FY05F	FY06F
Revenue (HK\$'mn)	78.0	112.4	77.0	97.6	124.6
Net profit (HK\$'mn)	1.3	28.3	53.1	33.1	42.3
EPS (HK cents)	0.13	1.97	3.43	2.14	2.73
YoY EPS Growth (%)	n.m.	n.m.	74.7	(37.7)	27.8
DPS (HK cents)	0.0	0.0	0.01	0.01	0.01
PER (x)	203.8	13.5	7.7	12.4	9.7

Source: company information, FSSL

Results comments

HK\$'mn	FY03	vs.	FY04	yoy (%) chg	Comments
Turnover	112.4		77.0	(31.5)	
- Electric consumer products	45.9			(100.0)	
- Media	66.5		77.0	15.8	Top-line yoy growth was lower than expected, hoh growth was flat
Cost of sales	<u>(43.3)</u>		<u>(13.4)</u>	(68.9)	
Gross profit	69.1		63.5	(8.1)	
Other revenue	9.1		6.1	(32.8)	
Selling & distribution costs	(20.6)		(20.4)	(1.1)	
Administrative expenses	(17.0)		(8.4)	(50.5)	
Other operating inc/(exp)	<u>(2.5)</u>		<u>(5.5)</u>	118.6	partly due to increase in goodwill amortization
Profit/(loss) from operation	38.0		35.3	(7.2)	Media-related operating margin fell to 46% from 53% a year ago
Exceptional items	<u>4.7</u>		<u>30.7</u>	546.9	FY04 exceptional gain due to the disposal of Business Post
Profit/(loss) before tax	42.8		66.0	54.3	
Taxation	<u>(5.6)</u>		<u>(8.9)</u>	58.8	
Profit/(loss) before M.I.	37.1		57.0	53.6	
Minority interests	<u>(8.9)</u>		<u>(3.9)</u>	(55.7)	
Net profit/(loss)	28.3		53.1	87.9	

Source: company information, FSSL

Earnings Summary

HK\$'mn	FY02A	FY03A	FY04A	FY05F	FY06F
Turnover	78.0	112.4	77.0	97.6	124.6
- Electric consumer products	71.0	45.9			
- Media	7.0	66.5	77.0	97.6	124.6
Cost of sales	(48.7)	(43.3)	(13.4)	(19.9)	(24.7)
Gross profit	29.3	69.1	63.5	77.8	100.0
Other revenue	0.8	9.1	6.1	6.0	6.0
Selling & distribution costs	(5.4)	(20.6)	(20.4)	(21.2)	(27.1)
Administrative expenses	(22.1)	(17.0)	(8.4)	(9.3)	(11.9)
Other operating inc/(exp)	0.6	(2.5)	(5.5)	(4.2)	(4.2)
Profit/(loss) from operation	3.2	38.0	35.3	49.0	62.8
Finance costs	(0.2)	0.0	0.0	0.0	0.0
Exceptional items	0.0	4.7	30.7	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0
Profit/(loss) before tax	3.0	42.8	66.0	49.0	62.8
Taxation	(0.8)	(5.6)	(8.9)	(8.8)	(11.3)
Profit/(loss) before M.I.	2.2	37.1	57.0	40.2	51.5
Minority interests	(0.9)	(8.9)	(3.9)	(7.1)	(9.2)
Net profit/(loss)	1.3	28.3	53.1	33.1	42.3
Profitability (%)					
Gross margin	38%	62%	83%	80%	80%
Operating margin	4%	34%	46%	50%	50%
Net margin (excluding exceptionals)	2%	21%	29%	34%	34%

Source: company information, FSSL

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