



FUNG CHOI MEDIA GROUP LIMITED

(Incorporated in Bermuda)
(Company number: 34902)

Full Year Financial Statement and Dividend Announcement for the Year Ended 30 June 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	FY2014 HK\$'000	FY2013 HK\$'000	Increase/ (decrease) %
Turnover	6,423,038	3,921,699	63.8
Cost of sales	(5,948,416)	(3,417,604)	74.1
Gross profit	474,622	504,095	(5.8)
Other operating income	25,495	72,414	(64.8)
Selling expenses	(106,506)	(126,833)	(16.0)
Administrative expenses	(154,546)	(159,301)	(3.0)
Other operating expenses	(35,951)	(28,562)	25.9
Profit from operations	203,114	261,813	(22.4)
Finance costs	(68,887)	(111,217)	(38.1)
Share of results of associate	(1,267)	284	N/M
Share of results of joint ventures	10,861	5,085	113.6
Profit before taxation	143,821	155,965	(7.8)
Income tax	(57,045)	(49,516)	15.2
Profit for the year	86,776	106,449	(18.5)
Attributable to:			
Equity shareholders of the Company	79,217	103,081	(23.2)
Non-controlling interests	7,559	3,368	124.4
Profit for the year	86,776	106,449	(18.5)

N/M: Not meaningful

Consolidated statement of comprehensive income

	Group		
	FY2014 HK\$'000	FY2013 HK\$'000	Increase/ (decrease) %
Profit for the year	86,776	106,449	(18.5)
Other comprehensive income for the year:			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries, associate and joint ventures	9,438	58,765	(83.9)
Reclassification adjustments of:			
Currency translation reserve realised on deregistration of subsidiaries	2,137	(57,305)	N/M
Currency translation reserve realised on disposal of subsidiaries	99	62	59.7
	2,236	(57,243)	N/M
Total comprehensive income for the year	98,450	107,971	(8.8)
Attributable to:			
Equity shareholders of the company	88,005	98,245	(10.4)
Non-controlling interests	10,445	9,726	7.4
Total comprehensive income for the year	98,450	107,971	(8.8)

N/M: Not meaningful

1(a)(ii) The accompanying notes to the financial statements form an integral part of the financial statements

The Group's profit before taxation is arrived at after charging/(crediting):

	Group		Increase/ (decrease)
	FY2014 HK\$'000	FY2013 HK\$'000	%
Depreciation of property, plant and equipment	75,755	72,468	4.5
Amortisation of lease prepayments	986	971	1.5
Amortisation of intangible assets	12,374	12,687	(2.5)
Loss on disposal of other financial asset	-	198	N/M
Operating lease charges in respect of:			
- property	33,619	28,667	17.3
- plant and machinery	3,788	3,731	1.5
Loss on disposal of property, plant and equipment	254	1,719	(85.2)
Loss/(gain) on deregistration of subsidiaries	2,137	(57,305)	N/M
Impairment losses for trade receivables	26,691	24,405	9.4
Non-audit fee paid to auditors of the company	210	210	0.0
Finance costs:			
- Interest on bank loans and other borrowings	38,165	57,062	(33.1)
- Finance charges on obligation under finance lease	248	49	406.1
- Interest and finance charges related to discounted bills	1,559	3,985	(60.9)
- Interest expenses on bond	22,978	11,818	94.4
- Fair value adjustment to the bond	5,937	38,303	(84.5)
Interest income	(8,113)	(2,754)	194.6
Gain on disposal of intangible assets	-	(2,446)	N/M
Gain on disposal of subsidiaries	(627)	(397)	57.9
Net foreign exchange gain	(1,563)	(139)	1,024.5

N/M: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	636,186	653,790	-	-
Lease prepayments	40,264	41,041	-	-
Intangible assets	29,508	41,656	-	-
Interests in subsidiaries	-	-	230,295	229,139
Interest in associates	1,687	2,938	-	-
Interests in joint ventures	61,051	49,952	-	-
Other receivables and prepayments	185,040	207,122	-	-
Deferred tax assets	24,567	17,921	-	-
	<u>978,303</u>	<u>1,014,420</u>	<u>230,295</u>	<u>229,139</u>
Current assets				
Inventories	178,652	234,740	-	-
Trade and bills receivables	3,548,388	2,400,001	-	-
Other receivables, prepayments and deposits	196,520	218,450	156	156
Amounts due from related parties	3,583	2,671	313,015	339,083
Pledged bank deposits	149,189	313,230	-	-
Deposits with banks	38,372	125,471	-	-
Cash and cash equivalents	200,924	208,512	124	193
	<u>4,315,628</u>	<u>3,503,075</u>	<u>313,295</u>	<u>339,432</u>
Current liabilities				
Trade and other payables	1,897,285	1,434,002	22,503	14,627
Bond ¹	282,721	-	282,721	-
Interest-bearing loans and borrowings	594,152	405,897	-	-
Obligation under finance lease	896	795	-	-
Current taxation	164,648	147,381	-	-
	<u>2,939,702</u>	<u>1,988,075</u>	<u>305,224</u>	<u>14,627</u>
Net current assets	<u>1,375,926</u>	<u>1,515,000</u>	<u>8,071</u>	<u>324,805</u>
Total assets less current liabilities	<u>2,354,229</u>	<u>2,529,420</u>	<u>238,366</u>	<u>553,944</u>
Non-current liabilities				
Obligation under finance lease	828	1,715	-	-
Bond	-	275,402	-	275,402
	<u>828</u>	<u>277,117</u>	<u>-</u>	<u>275,402</u>
NET ASSETS	<u>2,353,401</u>	<u>2,252,303</u>	<u>238,366</u>	<u>278,542</u>
CAPITAL AND RESERVES				
Share capital	181,285	181,285	181,285	181,285
Reserves	1,894,412	1,806,407	57,081	97,257
Total equity attributable to equity shareholders of the company	<u>2,075,697</u>	<u>1,987,692</u>	<u>238,366</u>	<u>278,542</u>
Non-controlling interests	<u>277,704</u>	<u>264,611</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	<u>2,353,401</u>	<u>2,252,303</u>	<u>238,366</u>	<u>278,542</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2014		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
494,392	383,377	281,598	125,094

Amount repayable after one year

As at 30 June 2014		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
828	-	1,715	275,402

Details of any collateral

The Group's borrowings as at 30 June 2014 are secured by the following:

- (i) certain trade receivables with an aggregate carrying amount of HK\$30,943,000 (2013: HK\$41,405,000) due from another company in which the non-controlling shareholder of the subsidiary has a substantial financial interest; and
- (ii) land use rights, construction in progress, buildings and trade and bills receivables with an aggregate carrying amounts of HK\$33,258,000 (2013: HK\$41,041,000), HK\$216,725,000 (2013: HK\$209,364,000), HK\$23,277,000 (2013: HK\$41,913,000), and HK\$382,681,000 (2013: HK\$482,401,000) respectively.

Certain bank loans of the Group totalling HK\$103,279,000 as at 30 June 2014 (2013: nil) were secured by land use rights and buildings of a company in which the non-controlling shareholder of the subsidiary has a substantial financial interest.

Certain bank loans of the Group totalling HK\$319,173,000 as at 30 June 2014 (2013: HK\$290,464,000) were guaranteed by directors of the Company and directors of subsidiaries.

Note 1:

Pursuant to the Enforcement Notice issued by the Bondholder to the Company on 7 August 2014, the Bondholder has alleged that an event of default had occurred under the Bonds whereby the Company had failed to pay interest due for the interest period of 1 April 2014 to 30 June 2014 and has thereby claimed for the redemption amount and the default interest payable under the terms of the Bonds.

Accordingly, the Bond has been reclassified as Current Liabilities as it has become due and payable on demand. The total amount claimed by the Bondholder for the redemption of the Bond amounted to US\$40.8 million (equivalent to HK\$316.5 million) and the redemption amount will vary according to the default interest payable from the due date up to full and final settlement of the redemption amount.

Under the terms and conditions of the Bond issued on 1 December 2012, under Condition 5.2(a) (i) and (ii), the Company is required to ensure at all times the following financial covenants are met which are set out below:

- (a) Consolidated Gross Debt to Consolidated EBITDA shall not exceed 280%; and*
- (b) Consolidated EBITDA to Gross Interest Expenses shall not be less than 350%.*

Based on the unaudited consolidated financial statements as at 30 June 2014, the Company has breached the financial covenant whereby the actual Consolidated Gross Debt to Consolidated EBITDA was 300%.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	FY2014 HK\$'000	FY2013 HK\$'000
Operating activities		
Profit before taxation	143,821	155,965
Adjustments for:		
- Depreciation of property, plant and equipment	75,755	72,468
- Amortisation of lease prepayments	986	971
- Finance costs	68,887	111,217
- Interest income	(8,113)	(2,754)
- Amortisation of intangible assets	12,374	12,687
- Loss on disposal of other financial asset	-	198
- Loss on disposal of property, plant and equipment	254	1,719
- Gain on disposal of intangible assets	-	(2,446)
- Gain on disposal of subsidiaries	(627)	(397)
- Loss/(gain) on deregistration of subsidiaries	2,137	(57,305)
- Share of results of associate	1,267	(284)
- Share of results of joint ventures	(10,861)	(5,085)
- Foreign exchange loss	1,454	4,440
Operating profit before changes in working capital	287,334	291,394
Decrease in inventories	56,985	59,379
Increase in trade and bills receivables	(1,137,947)	(895,682)
Decrease in other receivables, prepayments and deposits	22,934	57,462
Increase in trade and other payables	456,728	874,422
Cash (used in)/generated from operations	(313,966)	386,975
People's Republic of China ("PRC") enterprise income tax paid	(44,742)	(54,599)
Hong Kong Profits Tax paid	(2,315)	(3,362)
	(47,057)	(57,961)
Net cash (used in)/generated from operating activities	(361,023)	329,014
Investing activities		
Interest received	8,113	2,754
Payment for purchase of property, plant and equipment	(41,628)	(91,969)
Proceeds from disposal of property, plant and equipment	150	1,524
Proceeds from disposal of other financial asset	-	11,317
Net cash proceeds from disposal of subsidiary	2,051	459
(Increase)/decrease in amounts due from related parties	(2,849)	11,128
Decrease/(increase) in non-current portion of prepayments	8,822	(33,535)
Decrease/(increase) in pledged bank deposits	164,790	(264,976)
Decrease/(increase) in deposits with bank	87,292	(124,379)
Net cash generated from/(used in) investing activities	226,741	(487,677)
Financing activities		
Interest paid	(62,702)	(72,865)
Proceeds from issue of bond	-	232,479
Proceeds from new bank loans and other borrowings	783,816	711,224
Repayment of bank loans and other borrowings	(596,869)	(1,172,696)
Interest element of finance lease rentals paid	(248)	(49)
Capital element of finance lease rentals paid	(800)	(1,242)
Dividends paid to equity shareholders of the company	-	(7,251)
Dividends paid to non-controlling shareholders	(63)	(114)
Capital contribution from non-controlling shareholder	2,711	-
Net cash generated from/(used in) financing activities	125,845	(310,514)
Net decrease in cash and cash equivalents	(8,437)	(469,177)
Cash and cash equivalents at beginning of the year	208,512	672,354
Effect of foreign exchange rate changes	849	5,335
Cash and cash equivalents at end of the year	200,924	208,512

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Reserve fund HK\$'000	Currency translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
The Group									
Balance at 1 July 2012	181,285	717,777	(559,434)	125,596	245,521	1,185,953	1,896,698	254,999	2,151,697
Changes in equity for the year ended 30 June 2013:									
Profit for the year	-	-	-	-	-	103,081	103,081	3,368	106,449
Other comprehensive income	-	-	-	-	(4,836)	-	(4,836)	6,358	1,522
Total comprehensive income	-	-	-	-	(4,836)	103,081	98,245	9,726	107,971
Dividend approved in respect of the previous year	-	-	-	-	-	(7,251)	(7,251)	-	(7,251)
Transfer from accumulated profits	-	-	-	5,876	-	(5,876)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(114)	(114)
Balance at 30 June 2013 and 1 July 2013	181,285	717,777	(559,434)	131,472	240,685	1,275,907	1,987,692	264,611	2,252,303
Changes in equity for the year ended 30 June 2014:									
Profit for the year	-	-	-	-	-	79,217	79,217	7,559	86,776
Other comprehensive income	-	-	-	-	8,788	-	8,788	2,886	11,674
Total comprehensive income	-	-	-	-	8,788	79,217	88,005	10,445	98,450
Transfer from accumulated profits	-	-	-	11,207	-	(11,207)	-	-	-
Capital contribution received by non-wholly owned subsidiary from non-controlling shareholder	-	-	-	-	-	-	-	2,711	2,711
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(63)	(63)
Balance at 30 June 2014	181,285	717,777	(559,434)	142,679	249,473	1,343,917	2,075,697	277,704	2,353,401

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<u>The Company</u>							
Balance at 1 July 2012	181,285	717,777	41,605	(401,558)	(37,488)	(131,816)	369,805
Changes in equity for the year ended 30 June 2013:							
Total comprehensive income for the year	-	-	-	-	(9,055)	(74,957)	(84,012)
Dividend approved in respect of the previous year	-	-	-	-	-	(7,251)	(7,251)
Balance at 30 June 2013 and 1 July 2013	181,285	717,777	41,605	(401,558)	(46,543)	(214,024)	278,542
Changes in equity for the year ended 30 June 2014:							
Total comprehensive income for the year	-	-	-	-	(225)	(39,951)	(40,176)
Balance at 30 June 2014	181,285	717,777	41,605	(401,558)	(46,768)	(253,975)	238,366

1(d)(ii)Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share capital

There was no change in the Company's share capital during the year ended 30 June 2014.

In addition, there is no (30 June 2013: nil) shares that may be issued on conversion of outstanding convertibles and no (30 June 2013: nil) shares held as treasury shares against the total number of issued shares excluding treasury shares of the Company as at 30 June 2014.

Share option

The Company has adopted a share option scheme known as "Fung Choi Share Option Scheme 2007" (the "Scheme"), as approved by the Company's shareholders on 1 November 2007. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual of Singapore Exchange Securities Trading Limited.

As at 30 June 2014, there is no (30 June 2013: nil) outstanding share option under the Scheme.

1(d)(iii)To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>Company</u>	
	30 June 2014	30 June 2013
Total number of issued ordinary shares	725,140,000	725,140,000

The Company did not hold any of its issued shares as treasury shares as at 30 June 2014 and 30 June 2013.

1(d)(iv)A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's external auditor.

During the course of the audit of the consolidated financial statements for the year ended 30 June 2014, the auditor identified transactions with certain suppliers and customers in the supply chain management business segment which may be considered to be interested party transactions ("IPT") and/or related party transactions. The purchase of the supply chain management business segment that may be considered IPT amounted to HK\$2,986 million which accounts for 63% of the Group's purchase in the supply chain management business segment.

As a result of the above, the auditor requested Management to clarify the relationship with these suppliers and customers and further requested Management to provide additional evidence to substantiate and ascertain the validity of the sale and purchase transactions of the supply chain management business segment.

2 Cont'd

Management is of the opinion that the above transactions are not IPT and related party transactions and that they have been concluded on an arms length basis. Management is required to provide the necessary documentation and evidence to support their assertions.

At the date of this announcement, the auditor has yet to receive the necessary information and obtain satisfactory explanations from Management concerning the above matters.

If such information and explanations are not received by the auditor before the date of sign off of the consolidated financial statements, given the materiality of the supply chain management business segment to the Group, the auditor may issue a disclaimer of their opinion on the basis that they are unable to complete satisfactorily the audit procedures to assess whether the sales and the related cost of sales and the corresponding assets and liabilities of the supply chain management business segment were properly accounted for and disclosed.

In addition, with the event of default which has occurred under the Bond and with the Bondholder appointing a Receiver over Fung Choi Printing Limited ("FCPL") and its underlying subsidiaries, this condition may indicate the existence of a material uncertainty which may cast doubt on the ability of the Group to continue as a going concern. Hence, the auditor may also issue a modified opinion in relation to the ability of the Group to continue as a going concern.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year as those applied in the financial statements for the year ended 30 June 2013, except for the changes in accounting policies as set out in note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirement in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed in accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investments continue to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result to the Group.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. The Group has provided those disclosure to the extent that the requirements are applicable.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The Group has provided those disclosures to the extent that the requirements are applicable. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	FY2014 HK cents	FY2013 HK cents
Earnings per ordinary share:		
(a) Based on weighted average number of ordinary shares in issue (note 1); and	10.9	14.2
(b) On a fully diluted basis (note 2)	10.9	14.2

Notes:

1. Based on weighted average number of ordinary shares outstanding during FY2014 and FY2013 of 725,140,000.
2. There is no potential dilutive ordinary shares in existence for FY2014 and FY2013.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group		Company	
	30 June 2014 HK\$	30 June 2013 HK\$	30 June 2014 HK\$	30 June 2013 HK\$
Net asset value per ordinary share based on issued share capital as at:	2.86	2.74	0.33	0.38

Note:

1. Based on share capital of 725,140,000 ordinary shares in issue as at 30 June 2014 and 30 June 2013.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

TURNOVER

The Group recorded a 63.8% growth in turnover to HK\$6,423.0 million year-on-year in FY2014. The growth in turnover was caused by the new supply chain management business.

Business Segment Turnover

	FY2014 HK\$'million	% Turnover	FY2013 HK\$'million	% Turnover	% Change
Supply chain management	4,842.3	75.4	1,747.5	44.6	177.1
Commercial displays	631.7	9.8	985.5	25.1	(35.9)
Printing	460.2	7.2	616.6	15.7	(25.4)
Packaging	440.6	6.8	493.4	12.6	(10.7)
Advertising	48.2	0.8	78.7	2.0	(38.8)
Total	6,423.0	100.0	3,921.7	100.0	63.8

Riding on the existing printing and packaging customers, the Group has expanded into **Supply Chain Management Business** in FY2013, which includes the procurement and sourcing of products such as packaging boxes and various types of accessories for digital products and electrical equipment. Notwithstanding its low margin, this new business grew by 177.1% in FY2014 and contributed a turnover of HK\$4,842.3 million to the Group for FY2014 (Please see Paragraph 2 for details on the validity of the Supply Chain Management Business).

Our **Commercial Displays Business** dropped by 35.9% to HK\$631.7 million in FY2014, due to the slow down in launching of promotional campaigns and fewer new retail shops set up by clients in view of the increase in online shopping in China. The business continues to provide wide range of products and services from basic commercial displays counters to total solutions to clients' retail chain stores.

Turnover from the **Printing Business** also decreased by 25.4% to HK\$460.2 million in FY2014, as a result of the lower demand for our printed materials from both governmental agencies and commercial sectors in FY2014.

Turnover from the **Packaging Business** decreased by 10.7% to HK\$440.6 million for FY2014, due mainly to the lower demands for our cardboard packaging products on electric appliances in FY2014.

The **Advertising Business** decreased by 38.8% to HK\$48.2 million in FY2014. The decline in turnover of the magazine advertising business was caused by the reduced demand for advertisement placements in the traditional media.

PROFITABILITY

Gross profit decreased by 5.8% in FY2014 to HK\$474.6 million and gross profit margin decreased by 5.5 percentage points to 7.4%. The drop in gross profit margin was largely due to the higher proportion of the supply chain management business in FY2014, which was of high volume but low profit margin in nature.

Other operating income decreased 64.8% to HK\$25.5 million in FY2014, due mainly to the gain on deregistration of subsidiaries of HK\$57.3 million in FY2013. The balance for FY2014 mainly represented interest income of HK\$8.1 million, rental income of HK\$5.0 million and government subsidy of HK\$4.7 million.

Selling expenses decreased 16.0% to HK\$106.5 million in FY2014, mainly because of the decrease in transportation expenses in both the printing and commercial displays businesses as a result of the decrease in business volume.

Administrative expenses decreased by 3.0% to HK\$154.5 million in FY2014 mainly because of the scaling down and cost saving measures in printing and commercial displays businesses, notwithstanding the growth of supply chain management business.

Other operating expenses increased 25.9% to HK\$36.0 million in FY2014. This was mainly due to an increase in impairment losses for trade receivables which amounted to HK\$2.3 million, losses incurred on deregistration of subsidiaries which amounted to HK\$2.1 million and other miscellaneous expenses incurred for obtaining government grants.

Finance costs decreased 38.1% to HK\$68.9 million in FY2014, due mainly to the decrease in fair value adjustment to the bond from HK\$38.3 million in FY2013 to HK\$5.9 million in FY2014.

Income tax expense increased 15.2% to HK\$57.0 million in FY2014 as no deferred tax assets have been recognised in respect of the tax losses of certain subsidiaries of commercial displays business for FY2014 since it is not probable that future taxable profits will be available against which the assets can be utilised.

As a whole, the Group registered a net profit attributable to equity shareholders of the Company of HK\$79.2 million for FY2014.

STATEMENT OF FINANCIAL POSITION

Current assets increased to HK\$4,315.6 million as at 30 June 2014 due mainly to the increase in trade and bills receivables as a result of the higher supply chain management business in FY2014.

Current liabilities increased to HK\$2,939.7 million as at 30 June 2014 due mainly to the increase in trade and other payables from the supply chain management service and the increase in interest-bearing loans and borrowings.

As a result, net current assets decreased to HK\$1,375.9 million as at 30 June 2014.

Non-current assets decreased to HK\$978.3 million as at 30 June 2014, due mainly to the decrease in property, plant and equipment, intangible assets and the non-current portion of other receivables and prepayments.

Total equity attributable to equity shareholders of the Company increased to HK\$2,075.7 million as at 30 June 2014, from HK\$1,987.7 million as at 30 June 2013.

CASHFLOW STATEMENT

Cash used in operations amounted to HK\$314.0 million in FY2014, due mainly to the increase in trade and bills receivables from supply chain management business.

Net cash generated from investing activities in FY2014 amounted to HK\$226.7 million, due mainly to the decrease in pledged bank deposits and deposits with bank during FY2014.

Net cash generated from financing activities in FY2014 amounted to HK\$125.8 million, due mainly to the net increase in bank loans and other borrowings.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

On 15 May 2014, the Company had disclosed in paragraph 10 of the Third Quarter Financial Statement and Dividend Announcement for the Three Months Ended 31 March 2014 that barring unforeseen circumstances, the Group is expected to remain profitable in FY2014 (the "Prospect Statement"). The Prospect Statement is in line with the Group's full year results for FY2014 as disclosed in this announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

On 7 August 2014, the Bondholder has served an Enforcement Notice to the Company to allege that an event of default had occurred under the Bonds, namely that the Company had failed to pay interest for the interest period of 1 April 2014 to 30 June 2014 and thereby claimed for the redemption amount and the default interest payable under the terms of the Bonds which amounted to US\$40.8 million (HK\$316.5 million). Pursuant thereto, the Bondholder has appointed Receiver over the shares of FCPL and its underlying subsidiaries.

In addition, in connection with the Bonds, corporate guarantees were provided to the Bondholder by RainbowChina Media Holdings Company Limited and High Rank Development Limited ("High Rank"), each a wholly owned subsidiary of the Company. RainbowChina Media Holdings Company Limited is the holding company of Guangzhou Fung Choi Weixun Culture and Broadcasting Co., Ltd and Guangzhou Fung Choi Gaozhi Advertising Media Co., Ltd, each a principal subsidiary of the Company. High Rank holds all the shares of FCPL.

One of the banks of the Group has already issued notice of demand to the Company to request for the settlement of outstanding bank facilities undertaken by the Group.

In view of the above events, the ability of the Company and the Group to continue to operate as a going concern is highly dependent on the ongoing support from its Group's bankers and its ability to generate sufficient cash flows from operations to cover operating costs and meet its financial commitments as and when they fall due.

Following this, on 26 September 2014, the Company has signed a letter of appointment for Deloitte & Touche Financial Advisory Services Limited ("DT") to be its independent financial advisor to assess the Group's current financial position including its ability to meet all the financial obligations and pay its debts as and when they fall due. In addition, DT will undertake a review and recommend the appropriate remedies and avenues available to facilitate the Group to continue to operate as a going concern. The appointment will become operative upon payment of an initial deposit amount by the Company to DT, which payment the Company is trying to arrange for. The management has informed the Board that the arrangement to transfer the initial deposit payment has been made on 29 September 2014.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable Not applicable

(d) Books closure date Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been recommended for the financial year ended 30 June 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

In view of Paragraph 2, should there be a IPT, the Company did not obtain any general mandate from shareholders to approve the IPTs.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) Segment results, assets and liabilities

	<i>Printing division</i>		<i>Supply chain management division</i>		<i>Packaging division</i>		<i>Advertising division</i>		<i>Commercial displays division</i>		<i>Total</i>	
	<i>FY2014</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2014</i>	<i>FY2013</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	460,231	616,648	4,842,267	1,747,467	440,640	493,396	48,238	78,655	631,662	985,533	6,423,038	3,921,699
Inter-segment revenue	301,222	259,822	2,878	91,571	52,396	255,397	-	-	-	-	356,496	606,790
Reportable segment revenue	761,453	876,470	4,845,145	1,839,038	493,036	748,793	48,238	78,655	631,662	985,533	6,779,534	4,528,489
Reportable segment results	77,740	117,003	88,103	29,118	10,233	11,240	17,898	99,507	35,804	31,971	229,778	288,839
Interest expense	9,981	7,497	4,368	-	5,372	7,784	-	-	12,616	17,431	32,337	32,712
Depreciation and amortisation for the year	48,706	47,918	-	-	5,922	11,725	12,890	13,514	21,597	12,969	89,115	86,126
(Reversal of impairment losses)/impairment losses for trade receivables	(4,294)	(9,142)	18,009	-	1,060	239	1,452	(5,104)	10,464	38,412	26,691	24,405
Reportable segment assets (including interests in joint ventures and associate)	1,017,454	1,276,063	3,052,811	1,281,002	276,875	240,604	801,309	671,555	793,767	877,894	5,942,216	4,347,118
Additions to non-current segment assets during the year	17,819	85,165	-	-	1,385	1,085	41	20	36,537	67,011	55,782	153,281
Reportable segment liabilities	(976,948)	(592,375)	(1,643,553)	(795,139)	(102,733)	(119,535)	(27,966)	(37,951)	(191,996)	(380,928)	(2,943,196)	(1,925,928)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	Group	
	FY2014 HK\$'000	FY2013 HK\$'000
Revenue		
Reportable segment revenue	6,779,534	4,528,489
Elimination of inter-segment revenue	(356,496)	(606,790)
Consolidated revenue	<u>6,423,038</u>	<u>3,921,699</u>
Profit		
Reportable segment results	229,778	288,839
Finance costs	(68,887)	(111,217)
Unallocated head office and corporate income and expenses	(17,070)	(21,657)
Consolidated profit before taxation	<u>143,821</u>	<u>155,965</u>
Assets		
Reportable segment assets	5,942,216	4,347,118
Elimination of inter-segment receivables	(1,072,278)	(510,110)
	<u>4,869,938</u>	<u>3,837,008</u>
Pledged bank deposits	149,189	313,230
Deposits with bank	38,372	125,471
Cash and cash equivalents	200,924	208,512
Deferred tax assets	24,567	17,921
Unallocated head office and corporate assets	10,941	15,353
Consolidated total assets	<u>5,293,931</u>	<u>4,517,495</u>
Liabilities		
Reportable segment liabilities	2,943,196	1,925,928
Elimination of inter-segment payables	(1,072,278)	(510,110)
	<u>1,870,918</u>	<u>1,415,818</u>
Interest-bearing loans and borrowings	594,152	405,897
Bond	282,721	275,402
Obligation under finance lease	1,724	2,510
Current taxation	164,648	147,381
Unallocated head office and corporate liabilities	26,367	18,184
Consolidated total liabilities	<u>2,940,530</u>	<u>2,265,192</u>

(c) Geographical information

The following table sets out information about the geographical location of (i) group's revenue from external customers and (ii) the group's property, plant and equipment, lease prepayments, intangible assets, interest in associate, interests in joint ventures, other financial asset and non-current portion of other receivables and prepayments ("specified non-current assets"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and lease prepayments, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of other financial asset, interest in associate, interests in joint ventures and the non-current portion of prepayments.

	Revenue from external customers		Specified non-current assets	
	FY2014 HK\$'000	FY2013 HK\$'000	FY2014 HK\$'000	FY2013 HK\$'000
Hong Kong	16,914	14,221	2	4
Mainland China	6,085,247	3,604,914	953,734	996,495
North America	207,217	143,693	-	-
Europe	56,890	53,407	-	-
Australia	3,867	8,772	-	-
Africa	4,280	43,668	-	-
Other countries	48,623	53,024	-	-
	<u>6,423,038</u>	<u>3,921,699</u>	<u>953,736</u>	<u>996,499</u>

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to “Review of performance of the group” in Note 8 above.

16. A breakdown of sales.

	Group		
	FY2014	FY2013	Increase/
	HK\$'000	HK\$'000	(decrease) %
(a) Turnover reported for first half year	3,343,401	1,149,743	190.8
(b) Profit after tax but before deducting non-controlling interests reported for first half year	53,998	64,132	(15.8)
(c) Turnover reported for second half year	3,079,637	2,771,956	11.1
(d) Profit after tax but before deducting non-controlling interests reported for second half year	32,778	42,317	(22.5)

17. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.

	Company	
	FY2014	FY2013
	HK\$'000	HK\$'000
Ordinary shares:		
- interim	-	-
- final	-	-
Total	-	-

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.

There is not any person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial year ended 30 June 2014.

BY ORDER OF THE BOARD

Lai Yuen Ling
President and Executive Director
29 September 2014