



FUNG CHOI MEDIA GROUP LIMITED

(Incorporated in Bermuda)
(Company number: 34902)

Third Quarter Financial Statement and Dividend Announcement for the Three Months Ended 31 March 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		
	3Q FY2014 HK\$'000	3Q FY2013 HK\$'000	Increase/ (decrease) %
Turnover	1,484,187	1,091,462	36.0
Cost of sales	(1,383,094)	(975,461)	41.8
Gross profit	101,093	116,001	(12.9)
Other operating income	2,549	2,954	(13.7)
Selling expenses	(26,642)	(31,647)	(15.8)
Administrative expenses	(42,006)	(44,337)	(5.3)
Other operating expenses	(5,899)	(2,254)	161.7
Profit from operations	29,095	40,717	(28.5)
Finance costs	(17,323)	(17,424)	(0.6)
Share of results of associate	(285)	(205)	39.0
Share of results of jointly controlled entities	6,785	1,894	258.2
Profit before taxation	18,272	24,982	(26.9)
Income tax	(6,179)	(13,948)	(55.7)
Profit for the period	12,093	11,034	9.6
Attributable to:			
Equity shareholders of the Company	8,107	10,405	(22.1)
Non-controlling interests	3,986	629	533.7
Profit for the period	12,093	11,034	9.6

Consolidated statement of comprehensive income

	Group		
	3Q	3Q	Increase/
	FY2014	FY2013	(decrease)
	HK\$'000	HK\$'000	%
Profit for the period	12,093	11,034	9.6
Other comprehensive income for the period:			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries, associate and jointly-controlled entities	(23,474)	6,943	(438.1)
	(23,474)	6,943	
Total comprehensive income for the period	(11,381)	17,977	(163.3)
Attributable to:			
Equity shareholders of the company	(15,356)	17,348	(188.5)
Non-controlling interests	3,975	629	532.0
Total comprehensive income for the period	(11,381)	17,977	(163.3)

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		
	3Q	3Q	Increase/
	FY2014	FY2013	(decrease)
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	18,727	20,545	(8.8)
Amortisation of lease prepayments	246	242	1.7
Amortisation of intangible assets	3,103	3,028	2.5
Impairment losses for trade receivables	3,380	141	2,297.2
Operating lease charges in respect of:			
- property	7,460	7,451	0.1
- plant and machinery	922	900	2.4
Finance costs:			
- Interest on bank loans and other borrowings	10,400	10,982	(5.3)
- Finance charges on obligation under finance lease	59	-	N/M
- Interest and finance charges related to discounted bills	-	1,163	(100.0)
- Interest expenses on bond	5,754	5,279	9.0
- Fair value adjustment to the bond	1,110	-	N/M
Loss on disposal of property, plant and equipment	248	252	(1.6)
Interest income	(1,765)	(682)	158.8

NM: 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	
	31 March 2014 HK\$'000	30 June 2013 HK\$'000	31 March 2014 HK\$'000	30 June 2013 HK\$'000
Non-current assets				
Property, plant and equipment	644,489	653,790	-	-
Lease prepayments	40,510	41,041	-	-
Intangible assets	32,597	41,656	-	-
Interests in subsidiaries	-	-	229,139	229,139
Interest in associate	1,985	2,938	-	-
Interests in jointly controlled entities	64,902	49,952	-	-
Other receivables and prepayments	212,647	207,122	-	-
Deferred tax assets	17,976	17,921	-	-
	<u>1,015,106</u>	<u>1,014,420</u>	<u>229,139</u>	<u>229,139</u>
Current assets				
Inventories	233,048	234,740	-	-
Trade and bills receivables	2,845,204	2,400,001	-	-
Other receivables, prepayments and deposits	160,805	218,450	178	156
Amounts due from related parties	2,266	2,671	319,063	339,083
Pledged bank deposits	182,402	313,230	-	-
Deposits with bank	1,261	125,471	-	-
Cash and cash equivalents	322,134	208,512	126	193
	<u>3,747,120</u>	<u>3,503,075</u>	<u>319,367</u>	<u>339,432</u>
Current liabilities				
Trade and other payables	1,426,540	1,434,002	24,685	14,627
Interest-bearing loans and borrowings	577,004	405,897	-	-
Obligations under finance leases	871	795	-	-
Current taxation	145,845	147,381	-	-
	<u>2,150,260</u>	<u>1,988,075</u>	<u>24,685</u>	<u>14,627</u>
Net current assets	<u>1,596,860</u>	<u>1,515,000</u>	<u>294,682</u>	<u>324,805</u>
Total assets less current liabilities	<u>2,611,966</u>	<u>2,529,420</u>	<u>523,821</u>	<u>553,944</u>
Non-current liabilities				
Obligations under finance leases	1,062	1,715	-	-
Bonds	278,875	275,402	278,875	275,402
	<u>279,937</u>	<u>277,117</u>	<u>278,875</u>	<u>275,402</u>
NET ASSETS	<u>2,332,029</u>	<u>2,252,303</u>	<u>244,946</u>	<u>278,542</u>
CAPITAL AND RESERVES				
Share capital	181,285	181,285	181,285	181,285
Reserves	1,867,294	1,806,407	63,661	97,257
Total equity attributable to equity shareholders of the Company	<u>2,048,579</u>	<u>1,987,692</u>	<u>244,946</u>	<u>278,542</u>
Non-controlling interests	<u>283,450</u>	<u>264,611</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	<u>2,332,029</u>	<u>2,252,303</u>	<u>244,946</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 31 March 2014		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
477,875	100,000	281,598	125,094

Amount repayable after one year

As at 31 March 2014		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
1,062	278,875	1,715	275,402

Details of any collateral

The Group's borrowings as at 31 March 2014 are secured by the following:

- (i) certain trade receivables with an aggregate carrying amount of HK\$43,501,000 (30 June 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, buildings, construction in progress and trade and bills receivables with an aggregate carrying amounts of HK\$40,510,000 (30 June 2013: HK\$41,041,000), HK\$40,151,000 (30 June 2013: HK\$41,913,000), HK\$216,725,000 (30 June 2013: HK\$209,364,000) and HK\$113,821,000 (30 June 2013: HK\$482,401,000) respectively.

Certain bank loans of the Group totalling HK\$420,182,000 as at 31 March 2014 (30 June 2013: HK\$290,464,000) were guaranteed by directors of the Company and directors of subsidiaries.

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	
	3Q FY2014 HK\$'000	3Q FY2013 HK\$'000
Operating activities		
Profit before taxation	18,272	24,982
Adjustments for:		
- Depreciation of property, plant and equipment	18,727	20,545
- Amortisation of lease prepayments	246	242
- Finance costs	17,323	17,424
- Interest income	(1,765)	(682)
- Amortisation of intangible assets	3,103	3,028
- Loss on disposal of property, plant and equipment	248	252
- Share of results of associate	285	205
- Share of results of jointly controlled entities	(6,785)	(1,894)
- Foreign exchange loss	(19,673)	4,505
Operating profit before changes in working capital	29,981	68,607
(Increase)/decrease in inventories	(9,231)	25,917
Decrease/(increase) in trade and bills receivables	150,967	(103,500)
Decrease/(increase) in other receivables, prepayments and deposits	8,474	(36,315)
Decrease in trade and other payables	(302,685)	(38,696)
Cash used in operations	(122,494)	(83,987)
People's Republic of China ("PRC") enterprise income tax paid	(9,202)	(15,584)
	(9,202)	(15,584)
Net cash used in operating activities	(131,696)	(99,571)
Investing activities		
Interest received	1,765	682
Payment for purchase of property, plant and equipment	(4,486)	(65,140)
Proceeds from disposal of property, plant and equipment	5	332
Decrease in amounts due from related parties	709	2,199
Decrease in non-current portion of prepayments	41,266	31,132
(Increase)/decrease in pledged bank deposits	(130,292)	347
Decrease in deposits with bank	76,347	-
Net cash used in investing activities	(14,686)	(30,448)
Financing activities		
Interest paid	(16,154)	(17,424)
Proceeds from new bank loans and other borrowings	174,728	143,824
Repayment of bank loans and other borrowings	(143,744)	(190,246)
Interest element of finance lease rentals paid	(59)	-
Capital element of finance lease rentals paid	(202)	-
Dividends paid to non-controlling shareholders	(16)	(31)
Capital contribution from non-controlling shareholder	2,711	-
Net cash generated from/(used in) financing activities	17,264	(63,877)
Net decrease in cash and cash equivalents	(129,118)	(193,896)
Cash and cash equivalents at beginning of the period	453,855	772,539
Effect of foreign exchange rate changes	(2,603)	2,779
Cash and cash equivalents at end of the period	322,134	581,422

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 January 2013	181,285	717,777	(559,434)	125,785	268,991	1,219,366	1,953,770	278,393	2,232,163
Changes in equity for the period ended 31 March 2013:									
Profit for the period	-	-	-	-	-	10,405	10,405	629	11,034
Other comprehensive income	-	-	-	72	6,871	-	6,943	-	6,943
Total comprehensive income	-	-	-	72	6,871	10,405	17,348	629	17,977
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(31)	(31)
Balance at 31 March 2013	181,285	717,777	(559,434)	125,857	275,862	1,229,771	1,971,118	278,991	2,250,109
Balance at 1 January 2014	181,285	717,777	(559,434)	134,932	274,897	1,314,478	2,063,935	276,780	2,340,715
Changes in equity for the period ended 31 March 2014:									
Profit for the period	-	-	-	-	-	8,107	8,107	3,986	12,093
Other comprehensive income	-	-	-	(160)	(23,303)	-	(23,463)	(11)	(23,474)
Total comprehensive income	-	-	-	(160)	(23,303)	8,107	(15,356)	3,975	(11,381)
Capital contribution received by non-wholly owned subsidiary from non-controlling shareholder	-	-	-	-	-	-	-	2,711	2,711
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(16)	(16)
Balance at 31 March 2014	181,285	717,777	(559,434)	134,772	251,594	1,322,585	2,048,579	283,450	2,332,029

	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
The Company							
Balance at 1 January 2013	181,285	717,777	41,605	(401,558)	(37,685)	(156,972)	344,452
Changes in equity for the period ended 31 March 2013:							
Total comprehensive income for the period	-	-	-	-	(888)	(18,365)	(19,253)
Balance at 31 March 2013	181,285	717,777	41,605	(401,558)	(38,573)	(175,337)	325,199
Balance at 1 January 2014	181,285	717,777	41,605	(401,558)	(46,543)	(236,364)	256,202
Changes in equity for the period ended 31 March 2014:							
Total comprehensive income for the period	-	-	-	-	-	(11,256)	(11,256)
Balance at 31 March 2014	181,285	717,777	41,605	(401,558)	(46,543)	(247,620)	244,946

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 three months ended 31 March 2014.

In addition, there is no (31 March 2013: nil) shares that may be issued on conversion of outstanding convertibles and no (31 March 2013: nil) shares held as treasury shares against the total number of issued shares excluding treasury shares of the Company as at 31 March 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 31 March 2014, there is no (31 March 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>	
	31 March 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 31 March 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 auditors.

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.

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.

Not applicable

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	
3Q	3Q
FY2014	FY2013
HK cents	HK cents

Earnings per ordinary share:

(a) Based on weighted average number of ordinary shares in issue (note 1); and	1.1	1.4
(b) On a fully diluted basis (note 2)	1.1	1.4

Notes:

- Based on weighted average number of ordinary shares outstanding during 3QFY2014 and 3QFY2013 of 725,140,000.
- There is no potential dilutive ordinary shares in existence for 3QFY2014 and 3QFY2013.

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	
31 March	30 June	31 March	30 June
2014	2013	2014	2013
HK\$	HK\$	HK\$	HK\$

Net asset value per ordinary share based
on issued share capital as at:

2.83	2.74	0.34	0.38
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Note:

- Based on share capital of 725,140,000 ordinary shares in issue as at 31 March 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 36.0% growth in turnover to HK\$1,484.2 million year-on-year in 3QFY2014. The growth in turnover was mainly due to the increase in sales from supply chain management business, notwithstanding the drop in turnover of other business segments.

Business Segment Turnover

	3QFY2014 HK\$'million	% Turnover	3QFY2013 HK\$'million	% Turnover	% Change
Supply chain management	1,161.1	78.2	641.0	58.7	81.1
Commercial displays	138.9	9.4	196.3	18.0	(29.2)
Printing	77.2	5.2	136.4	12.5	(43.4)
Packaging	96.1	6.5	102.9	9.4	(6.6)
Advertising	10.9	0.7	14.9	1.4	(26.8)
Total	1,484.2	100.0	1,091.5	100.0	36.0

As a value-added service to its existing printing and packaging customers, the Group has expanded into **Supply Chain Management Business** in 2013, 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 81.1% in 3QFY2014 to HK\$1,161.1 million as compared with 3QFY2013.

Our **Commercial Displays Business** dropped by 29.2% to HK\$138.9 million in 3QFY2014 as compared with 3QFY2013, due to the slow down in launching of promotional campaigns and opening of retail shops by clients. The business continues to provide a wide range of products and services, ranging from basic commercial displays counters to total solutions to clients' retail chain stores, serving industries across cosmetics, sports wear, electrical appliances, fashion and mobile phones.

Turnover from the **Printing Business** decreased by 43.3% to HK\$77.2 million in 3QFY2014 as compared with 3QFY2013, as a result of lower demand for our printed materials from both governmental bodies and commercial sectors in 3QFY2014.

Turnover from the **Packaging Business** remained relatively stable and dropped by 6.6% to HK\$96.1 million for 3QFY2014 as compared with 3QFY2013.

The **Advertising Business** decreased by 26.8% to HK\$10.9 million in 3QFY2014 as compared with 3QFY2013. 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 12.9% in 3QFY2014 to HK\$101.1 million, while gross profit margin decreased by 3.8 percentage points to 6.8%. The lower gross profit margin was largely due to i) the higher proportion of lower-margin supply chain management business; and ii) the increase in manufacturing overheads and labour costs for our printing business.

Other operating income decreased 13.7% to HK\$2.5 million in 3QFY2014, which mainly represented interest income of HK\$1.8 million.

Selling expenses decreased by 15.8% to HK\$26.6 million in 3QFY2014 as a result of the decrease in transportation expense in printing and commercial displays businesses due to their lower turnover during 3QFY2014.

Administrative expenses decreased by 5.3% to HK\$42.0 million in 3QFY2014, due mainly to the scale down of our advertising business and the cost-cutting measures in other business segments.

Other operating expenses increased by 161.7%, due mainly to the increase in impairment losses for trade receivables.

Finance costs decreased slightly by 0.6% to HK\$17.3 million in 3QFY2014.

Share of results of jointly controlled entities amounted to HK\$6.8 million for 3QFY2014 and mainly represented after-tax profits from jointly controlled entities engaging in supply chain management business of HK\$6.1 million.

Income tax expense decreased 55.7% to HK\$6.2 million in 3QFY2014, which was mainly in line with the decrease in profit from operations. Effective tax rate had decreased as a result of the share of after-tax profits of jointly controlled entities during 3QFY2014.

The Group registered a net profit attributable to equity shareholders of the Company of HK\$8.1 million for 3QFY2014.

STATEMENT OF FINANCIAL POSITION

Current assets increased to HK\$3,747.1 million as at 31 March 2014 due mainly to the increase in trade and bills receivables, partially offset by the decrease in pledged bank deposits and bank deposits.

Current liabilities increased to HK\$2,150.3 million as at 31 March 2014 due mainly to the increase in interest-bearing loans and borrowings.

As a result, net current assets increased to HK\$1,596.9 million as at 31 March 2014.

Non-current assets stood at HK\$1,015.1 million as at 31 March 2014.

Non-current liabilities mainly represented a 4-year bond issued during FY2013.

Total equity attributable to equity shareholders of the Company increased to HK\$2,048.6 million as at 31 March 2014, from HK\$1,987.7 million as at 30 June 2013.

CASHFLOW STATEMENT

Net cash used in operations amounted to HK\$131.7 million in 3QFY2014, due mainly to the working capital consumption in the supply chain management business during the period.

Net cash used in investing activities in 3QFY2014 amounted to HK\$14.7 million, due mainly to the decrease in pledged bank deposits during the period.

Net cash generated from financing activities in 3QFY2014 amounted to HK\$17.3 million, due mainly to the net cash inflow from bank loans and other borrowings during the period.

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

On 13 February 2014, the Company had disclosed in paragraph 10 of the "Second Quarter Financial Statement and Dividend Announcement for the Three Months Ended 31 December 2013" that barring unforeseen circumstances, the Group is expected to remain profitable in FY2014 (the "Prospect Statement"). The Prospect Statement is still valid as of the date of 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.

In view of the slowing economy in China coupled with the inflationary environment, the Group remains cautious about its business growth for the current financial year and will continue to manage its capital expenditure and operating expenses prudently and to leverage on its customer relationships.

Barring any unforeseen circumstances, the Group is expected to remain profitable for FY2014.

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 three months ended 31 March 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.

The Company does not obtain any general mandate from shareholders for IPTs.

14. Negative assurance confirmation on financial results pursuant to Rule 705(5) of The Listing Manual

We, Lai Yuen Ling and Xiang Ming Xi, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the three months ended 31 March 2014 to be false or misleading in any material aspect.

On behalf of the board of directors

Lai Yuen Ling
Director

Xiang Ming Xi
Director

BY ORDER OF THE BOARD

Xiang Ming Xi
Chairman

15 May 2014