

Analyst: Paul Sham

Main Board Listing – Research

新傳媒集團控股有限公司

New Media Group Holdings Limited [Stock Code: 0708]
Joint Sponsors

: SinoPac Securities (Asia) Limited
: Emperor Capital Limited

Lead Manager

: Emperor Securities Limited

Sector : Media

Business : Publication of magazines

Total share offer: * <u>150,000,000</u> shares (25% of the enlarged share capital)	<u>Business of New Media</u> New Media was first established under the listed company, Emperor International (0163.HK) in September 1999 and is currently one of the leading local publishers principally engaged in the publication and marketing of the Chinese-language weekly magazines including Weekend Weekly (新假期), New Monday (新 Monday), Oriental Sunday (東方新地), Fashion & Beauty (流行新姿) which provide lifestyle information, and Economic Digest (經濟一週) which focuses on investment and finance. Apart from publishing magazines, New Media also publishes books under the names of “經要文化” and “青菓文化出版社” and distributes through 3 rd party distributors in Hong Kong. During the past 3 financial years, New Media published 41, 69 and 84 new titles of books respectively, covering areas of interests in fictions, self-improvement psychology, investment and finance, biography and entertainment. The average readership of New Media’s five flagship weekly magazines was about 1.15 million per issue for the period from 1 st October 2006 to 30 th September 2007, making it the 2 nd largest weekly publication group in Hong Kong in terms of readership.
Public Offer: 15,000,000 shares (10%) Placing: 135,000,000 shares (90%) <i>* All 150,000,000 shares are New Shares</i>	
Price: HK\$0.60 – HK\$0.75 per share Market Cap: HK\$360million – HK\$450million Pro forma fully diluted FY06/07 PER: 11.55x – 14.44x Adjusted NTA per share: HK\$0.19– HK\$0.23 Staffing: 495 (as of 31 st December 2007)	
HK Public Offer period: 29 th January 2008 – 1 st February 2008 Receiving banks: Standard Chartered Bank (Hong Kong) Share registrar: Tricor Secretaries Limited Listing date: 12 th February 2008	

Shareholding Structure after Listing

Velba Limited - ultimately 100% owned by the AY Discretionary Trust. Yeung Sau Shing, Albert, is the settlor of the trust while his family members are the eligible beneficiaries.	75%
Public investors	25%
	100%

Use of Proceeds

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Net proceeds from the offer are estimated to be HK\$75.97 million (Assuming at an issue price of HK\$0.60 each, being the lowest point of the indicative price range)

	HK\$ million
For the enhancement and enrichment of the contents of the magazines	31.98
For the promotion and marketing of the magazines to readers and advertisers	18.00
For strengthening the contents of the Group's existing websites	7.50
For the purchase and upgrading of the Group's existing machineries and equipment	14.15
For general working capital purpose	4.34

Financial Highlights

	Year ended 31 st March			4 months ended 31 st July	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000
Revenue	316,563	362,006	390,554	126,632	147,470
Gross profit	91,728	112,665	114,252	40,127	52,800
Operating profit	13,724	26,179	24,958	12,424	23,396
Attributable profit	11,763	23,325	31,168	12,493	19,141
Gross margin	29.0%	31.1%	29.3%	31.7%	35.8%
Operating margin	4.3%	7.2%	6.4%	9.8%	15.9%
Net margin	3.7%	6.4%	8.0%	9.9%	13.0%

Revenue Breakdown (% of Total Revenues)

	Year ended 31 st March						4 months ended 31 st July			
	2005 HK\$'000	%	2006 HK\$'000	%	2007 HK\$'000	%	2006 HK\$'000	%	2007 HK\$'000	%
Advertising revenue	207,720	65.6	241,561	66.7	263,112	67.4	84,652	66.8	101,025	68.5
Circulation revenue	108,057	34.1	118,395	32.7	125,334	32.1	41,327	32.6	45,111	30.6
Magazine contents	786	0.2	2,050	0.6	2,108	0.5	653	0.5	1,334	0.9
Total	316,563	100	362,006	100	390,554	100	126,632	100	147,470	100

Strengths/Opportunities

- ✓ **Stable cash flow expected** New Media's 5 flagship magazines are well-established in Hong Kong with readership of 1.15 millions per issue. Economic Digest has been published for more than 26 years while the remaining 4 magazines have a history of 4 to 7 years. The readership base should generate stable cash flow for the Group.
- ✓ **Reasonable dividend payout ratio** New Media specified that it would maintain a 30% pay-out dividend policy after listing, which should lend support to its share price.

Weaknesses/Threats

- × **Lacking growth factors** New Media's biggest rival, Next Media (0282.HK) has already penetrated the Taiwan market since 2001 and now contributes some 42.3% of its total revenue. Compared with Next Media, New Media is expected to grow at a slower rate as its businesses primarily focus on the saturated Hong Kong market only.
- × **Relatively small target customer group** New Media's five magazines target at readers with ages from 20 to 45 and are positioned as magazines providing either lifestyle or finance information. Unlike Next Media which has a wider range of business operations such as newspapers publication & printing, books and magazines printing, New Media, without its own printing business, should be more vulnerable in situations such as price war among magazines or increasing in printing cost.

Recommendation: Hit & Run (small size IPO raising some HK\$76 million only)

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