

Analyst: Louis Chan

## **Main-board Listing - Research**

勤+緣媒體服務有限公司

**Qin Jia Yuan Media Services Company Limited [Stock Code: 2366]**
**Sponsor, Bookrunner & Lead Manager** : DBS Asia Capital Limited

**Co-Sponsor & Co-Manager** : Celestial Capital Limited

**Sector:** Media

**Business:** Provision of TV programme-related services, marketing-related and public-relations services

<b>Total share offer:</b> <u>100,000,000</u> shares (25% of the enlarged share capital)  <b>Public offer:</b> 10,000,000 new shares (10%) <b>Placement:</b> 90,000,000 new shares (90%)  <b>Greenshoe:</b> 15,000,000 shares	<b><u>Business of Qin Jia Yuan</u></b>  <p>Founded in 1995, the Company is principally engaged in the provision of media services in the PRC. These services include TV programme-related services and marketing-related services. These services are provided to production houses and investors in TV programmes respectively. Investors in TV programmes are mainly advertising agencies of corporate clients, which principally target the PRC market.</p> <p>In addition, the Company provides public-relations services to corporate clients in the PRC. Such corporate clients include clients of advertising agencies, who are investors in TV programmes to whom the Company provides marketing-related services.</p>
<b>Price:</b> HK\$1.08-HK\$1.48 per share <b>Market cap. :</b> HK\$432 million-HK\$592 million  <b>Prospective P/E:</b> 9.0x-12.3x <b>Adjusted net tangible asset per share:</b> HK¢42.9-HK¢52.9  <b>Staffing:</b> 26	
<b>Public offer opens:</b> 18 <sup>th</sup> June 2004 <b>Public offer closes:</b> 24 <sup>th</sup> June 2004  <b>Receiving banks:</b> Standard Chartered Bank & CITIC Ka Wah Bank <b>Share registrar:</b> Tricor Investor Services Limited  <b>Listing date:</b> 30 <sup>th</sup> June 2004	

### **Major Shareholders after Listing**

(Assuming the over-allotment option is not exercised)

Entities controlled by Dr. WONG Yu Hong, Philip (黃宜弘) and Dr. LEUNG Anita Fung Yee Maria

(梁鳳儀)

Aegis Media Group (a London-listed company)

Other shareholders

46.19%

18.75%

10.06%

75.00%

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### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$108 million

(Assuming that the over-allotment option is not exercised and an issue price of HK\$1.28 per share, the mid-point of the indicative price range of HK\$1.08-HK\$1.48 per share)

	HK\$ million
To carry out marketing-related services	52
To establish a production-service centre in the PRC	23
To carry out strategic investment in other companies	23
To expand the professional teams for marketing-related and public-relations businesses	3
To carry out promotion works of TV programmes which the Company was granted distribution licence right outside the PRC and Hong Kong	3
To serve as the Company's general working capital	4

### Financial Highlights

	3 months ended 31 <sup>st</sup> December 2003 HK\$'000	Year ended 30 <sup>th</sup> September 2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
TV programme-related income	14,999	30,491	8,795	5,010
Marketing-related income	6,189	13,961	19,062	10,528
Public-relations service income	<u>10,520</u>	<u>11,755</u>	<u>9,299</u>	<u>2,850</u>
	<u>31,708</u>	<u>56,207</u>	<u>37,156</u>	<u>18,388</u>
Operating profit	23,822	40,884	25,846	7,253
Net profit	<u>22,066</u>	<u>36,041</u>	<u>25,341</u>	<u>15,141</u>
Dividends	-	7,000	6,000	-
EPS	<u>HK¢7.36</u>	<u>HK¢12.01</u>	<u>HK¢8.45</u>	<u>HK¢5.05</u>

### Strengths / Opportunities

- ✓ In the PRC, the growth in advertising expenditure has consistently exceeded growth in the GDP for the years 1991-2000. Meanwhile, TV has been attracting most of the advertising expenditure in the PRC since 2001, out-casting other media like newspaper, outdoor, radio and magazine. This looks set to be beneficial to the future development of the Company, which has its prime focus on the TV-drama industry.
- ✓ The Company's business focuses are on TV-drama series but not movies. The TV-drama industry usually comes with a larger demand while it also has a calculated risk profile compared with the movie sector. Furthermore, there are also multiple revenue sources associated with TV drama.
- ✓ The Company has recorded CAGRs of 75% and 54% in turnover and net profit respectively for the 2 years ended 30<sup>th</sup> September 2003.

### Weaknesses / Threats

- × The Company has a pretty long settlement cycle re. commission income and reimbursement receivables. For each of the 3 years ended 30<sup>th</sup> September 2003, the debtor's turnover days for commission income payable by production house for procuring investment in TV programmes were 121 days, 291 days and 280 days respectively.
- × Qin Jia Yuan's prospective P/E range of 9.0x-12.3x does not really seem attractive.

## Recommendation: Unattractive