

Business Review and Prospects

業務回顧 及展望

RESULTS OF OPERATIONS

During the year 2002/03, the global economy had not yet recovered. Coupled with the outbreak of war between the US and Iraq, all industries were adversely affected. Sun Media Group, as a media operator, was not immune to this depressed environment and 2002/03 was an extremely difficult year for the Group. The Group was not only affected by the overall economic environment and prevailing non-market factors, it also faced internal pressure brought about by the restructuring of its business model, substantial cost adjustments and manpower reorganization and integration. In view of the difficult market situation, the Group has been aggressively reviewing its operational strategies, making every effort to improve its operational efficiencies and streamline its organizational structure to reduce costs on the one hand and achieve stable revenue growth on the other.

In view of the sluggish economic conditions, Sun Media Group recorded a total turnover of approximately HK\$184.5 million (2002: approximately HK\$246.9 million) for the year ended 31st March, 2003, representing a decrease of 25% due to the fall in advertising sales for the Sun Satellite TV channel. However, the Group continued to achieve a gross profit of approximately HK\$13.3 million. For the year ended 31st March, 2003, loss attributable to shareholders amounted to approximately HK\$364.9 million (2002: approximately HK\$69.6 million). Loss per ordinary share was 3.39 HK cents (2002: 0.95 HK cents).

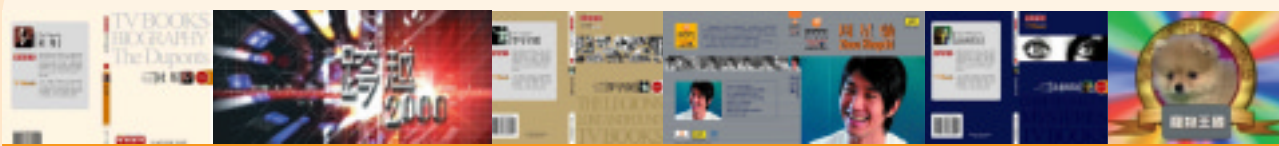
With the management's continued efforts and strategies to adjust the business model, revenues generated from advertising, programme distribution and publishing and distribution businesses each accounted for approximately one third of the Group's total turnover. During the year, the PRC satellite TV advertising business fell to account for less than 20% of the Group's total revenue, leading to greater diversification of its revenue base and laying healthy foundations for the Group's future development.

業績回顧

回顧過去的二零零二／零三年度，環球經濟仍未見復甦跡象，加上爆發美伊戰事，各行各業均大受影響。經營媒體行業之陽光文化媒體集團自然亦不能倖免。事實上，這一年對陽光文化媒體集團仍是非常艱辛的一年，不單受到外圍整體經濟與非市場因素影響，而且亦要面對集團業務模式轉型、成本大幅調整期及人員重組及整合之內部壓力。儘管營商環境異常艱巨，集團一如以往積極檢討經營策略，致力改善營運效益，務求達至精簡架構，緊縮開支之同時，亦取得穩定的收入增長。

在經濟疲弱的陰霾下，截至二零零三年三月三十一日止的財務年度，陽光文化媒體集團的總營業額約為港幣184,500,000元（二零零二年：約港幣246,900,000元），下跌25%，其中主要原因是衛星電視頻道的廣告銷售額下跌所致。然而，集團亦繼續錄得毛利約港幣13,300,000元。截至二零零三年三月三十一日止的財務年度，股東應佔虧損約為港幣364,900,000元，（二零零二年：約港幣69,600,000元）。每股普通股虧損為3.39港仙（二零零二年：0.95港仙）。

經過管理層不斷的努力及調整營運策略，現時集團的廣告、節目發行及出版分銷業務之收入分別各佔集團總營業額約三份之一，而其中國內衛星電視廣告業務佔集團總收入已下降到低於20%，從而實現了穩定收入來源，為集團奠定穩健發展基礎。



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THE TV BUSINESS

As one of the 3 core businesses of the Group, the TV business revenue was mainly derived from the PRC and overseas markets. During the year, total turnover generated by the TV business reached approximately HK\$108.8 million (2002: approximately HK\$179.6 million), representing a drop of 39%.

The TV business in the PRC can be divided into the TV broadcasting business operated by Sun Satellite TV and programme production and distribution sales. Despite the favourable factors such as growth potential and reputable client base, the broadcasting business suffered from the continuing depressed satellite TV advertising market. Advertising revenues dropped to approximately HK\$23.8 million accounting for 13% of the Group's total revenue. On a positive note, the Group has developed an extensive syndication network with audience coverage reaching tens of millions TV households in the PRC. As such, the programme distribution business grew significantly. Turnover increased by 48% to approximately HK\$57.2 million, accounting for 31% of the Group's total turnover. During the year, sales of the Group's TV programme production and distribution business surpassed the advertising sales of Sun Satellite TV in the PRC.

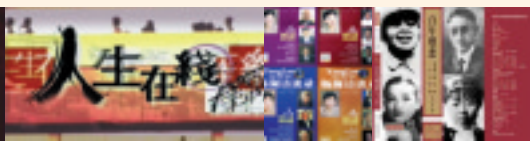
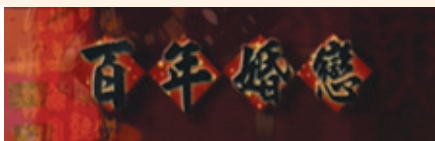
As for the overseas TV business, JET TV contributed a turnover of approximately HK\$35.6 million for the first time, accounting for 19% of the Group's total turnover, and a profit of approximately HK\$6.1 million to the Group during the year.

電視業務

作為集團三大業務之一，現時電視業務收益主要來自內地與海外市場。年內，電視業務錄得總營業額約為港幣108,800,000元（二零零二年：約港幣179,600,000元），下跌39%。

在國內電視業務方面，又分為陽光衛視之電視廣播業務與電視製作與發行銷售業務方面。在電視廣播業務方面，儘管陽光衛視潛力優厚，並且取得多個知名客戶為其廣告業務的基礎，然而面對持續低迷之衛星電視廣告市場，陽光衛視廣告收入向下調至約港幣23,800,000元，佔集團總營業額13%。幸而，集團在國內擁有一個覆蓋數千萬電視家庭戶的龐大發行網絡，因此節目發行業務增長迅速，營業額增加48%至約港幣57,200,000元，佔集團總營業額31%。至此，集團的國內電視節目製作與發行業務銷售額已超過衛視廣告銷售額。

至於境外電視業務方面，JET TV在本年度首次為集團帶來港幣35,600,000元營業額，佔集團總營業額19%，以及港幣6,100,000元利潤。



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THE PUBLISHING AND DISTRIBUTION BUSINESS

The Group continued to explore the publishing and distribution business for multi-media products in the first half of the financial year and results gradually reflected in the second half year, contributing in significant revenue to the Group.

During the year, the turnover for the publishing and distribution business grew significantly by 5.9 times over the previous year to approximately HK\$75.7 million, accounting for 41% of the Group's turnover. The Group also acquired a 75% stake in "Leadership Publishing Group Limited" (formerly "Sing Pao Media Group Limited") in early 2003, contributing a turnover of approximately HK\$21.1 million for the first time.

THE EDUCATION BUSINESS

The education business, another core business of the Group, remained in the early stage of its development. As such, its business performance and revenue contribution will be fully reflected in the coming results with the Group anticipating that this business will achieve a satisfactory outcome in the next financial year.

EARNINGS BEFORE INTERESTS, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")

EBITDA amounted to a loss of approximately HK\$310 million for the year ended 31st March, 2003 (2002: HK\$44.0 million). Amortisation of goodwill arising from acquisition of subsidiaries and depreciation charge for the year was approximately HK\$15.6 million (2002: HK\$9.2 million) and approximately HK\$21.7 million (2002: HK\$18.5 million) respectively.

出版及分銷業務

集團於上半年的財務年度不斷開拓多媒體產品之出版及分銷業務，而成績亦開始於下半年度反映出來，並為集團帶來非常可觀的收入貢獻。

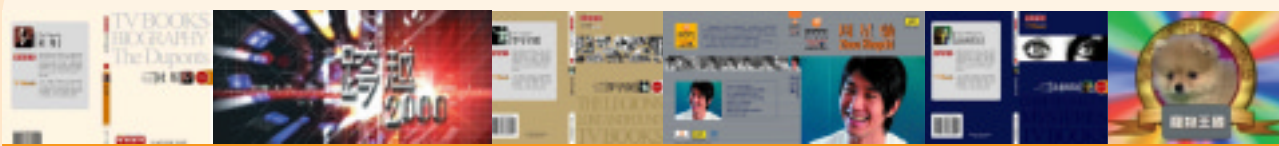
年內，來自出版分銷業務的營業額增長顯著，較去年上升逾5.9倍至約港幣75,700,000元，佔集團總營業額41%。其中，集團於二零零三年年初收購「現代旌旗出版集團有限公司」（前稱「成報傳媒集團有限公司」）75%之權益，首度為集團帶來營業額港幣21,100,000元之收入。

教育業務

集團另一重點業務 — 教育業務仍處於發展階段，其業務表現及收入貢獻於日後始能全面反映，集團估計於下一財務年度將會有不俗的成績。

扣除利息、稅項、折舊及攤銷前之盈利（「EBITDA」）

截至二零零三年三月三十一日止年度之EBITDA約為虧損港幣310,000,000元（二零零二年：港幣44,000,000元）。就收購附屬公司所產生之商譽而作出之攤銷及年內折舊分別約為港幣15,600,000元（二零零二年：港幣9,200,000元）及約為港幣21,700,000元（二零零二年：港幣18,500,000元）。



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EMPLOYEE AND REMUNERATION POLICIES

At 31st March, 2003, the Group employed a workforce of 898. Total staff costs including contributions to Mandatory Provident Fund Schemes incurred during the year amounted to approximately HK\$56.1 million (2002: HK\$59.0 million). The Group offers a comprehensive remuneration and benefit package to its employees and remuneration policies are reviewed by the management regularly. The Group also adopts a share option scheme to motivate and retain a team of competent employees.

LIQUIDITY AND FINANCIAL RESOURCES

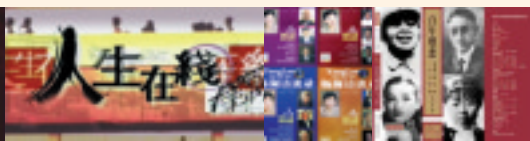
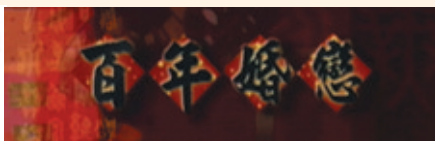
At 31st March, 2003, the Group's current ratio was 1.6 (2002: 4.8), with current assets of approximately HK\$257.2 million (2002: HK\$272.4 million) against current liabilities of approximately HK\$162.0 million (2002: HK\$56.3 million). The decrease in current ratio is mainly due to the provision of long outstanding receivables of HK\$120 million. Cash and cash equivalents was approximately HK\$64.8 million (2002: HK\$142.6 million). The Group's gearing ratio at 31st March, 2003 was 0.08 (2002: 0.09). The gearing ratio is calculated based on the Group's total non-current liabilities and shareholders' fund of approximately HK\$31.9 million (2002: HK\$36.6 million) and HK\$385.6 million (2002: HK\$403.6 million) respectively. The Group kept maintaining the borrowings at low level to minimize the interest burden to the Group.

僱員及薪酬政策

於二零零三年三月三十一日，本集團僱有898名員工。年內之僱員成本總額（包括強制性公積金計劃供款）約為港幣56,100,000元（二零零二年：港幣59,000,000元）。本集團為僱員提供全面薪酬及福利計劃，而管理層會定期檢討薪酬政策。本集團亦採納一項購股權計劃，以激勵及挽留稱職之僱員。

流動資金及財務資源

於二零零三年三月三十一日，本集團之流動比率為1.6（二零零二年：4.8），其中流動資產約為港幣257,200,000元（二零零二年：港幣272,400,000元），而流動負債則約為港幣162,000,000元（二零零二年：港幣56,300,000元）。流動比率下降主要由於為呆壞賬作出共港幣120,000,000元之撥備。現金及現金等值項目約為港幣64,800,000元（二零零二年：港幣142,600,000元）。本集團於二零零三年三月三十一日之資本與負債比率為0.08（二零零二年：0.09），此比率乃根據本集團分別約為港幣31,900,000元（二零零二年：港幣36,600,000元）及港幣385,600,000元（二零零二年：港幣403,600,000元）之非流動負債總額及股東資金計算。本集團將借貸維持於低水平，令本集團之利息負擔盡量減低。



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BUSINESS REVIEW

THE TV BUSINESS

The TV business in the PRC

Leveraging its enthusiasm and commitment in producing and broadcasting top quality thematic programmes, the Group's programme production unit and Sun Satellite TV have established a strong foothold with a prominent brand name in less than 3 years of operation. These achievements have not only received critical acclaim from industry players, but also established a positive image among audiences.

Driven by its mission to be "one of the world's leading quality Chinese content providers", the Group places a top priority on producing high quality programmes. Riding on the excellent response from previous flagship programmes such as "Yang Lan One on One" and "The Truth", Sun Media Group continued to produce new feature series such as "Chinese Enterprise" and "First Bucket of Gold". These helped to diversify programme varieties, strengthen competitiveness and generate dynamic growth for the Group's future revenues in the TV business.

To broaden Sun Satellite TV's audience and advertising customer bases, a variety of programmes have been introduced including travel, leisure lifestyle and music, providing a wider choice for audiences and advertising clients to attract more potential advertisers and boost its advertising sales abilities.

As a leading quality programme content provider in the region, Sun Media Group's programmes are accessible to a sizeable audience of over 35 million TV households in the Greater China Region. In North America, our programmes have also reached nearly 400,000 cable TV households in the Los Angeles region via "天下電視", "時代華納" and the Charter Cable TV network.

業務回顧

電視業務

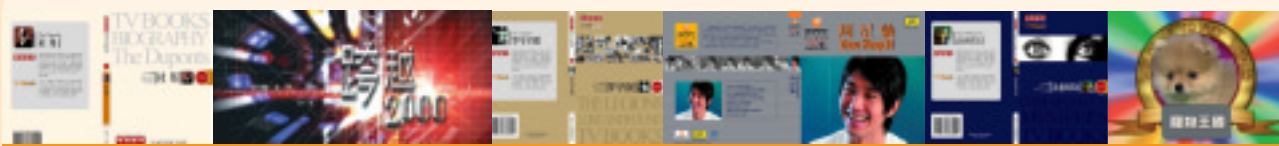
國內電視業務

憑藉對製作及播放高質素紀錄片之熱誠，陽光文化媒體集團旗下的電視製作單位及陽光衛視以不足三年營運時間便建立了穩健的地位，成為著名品牌，不僅獲得業內人士的好評，在觀眾方面亦樹立了良好的形象。

秉承集團一貫信念，矢志成為全球具領導地位的優質中文內容供應商之一，我們特別著重製作高質素的節目。建基於過往推出之旗艦節目如「楊瀾訪談錄」及「真實的故事」均取得一致口碑，成為大眾焦點，於回顧年內陽光文化媒體集團不斷製作嶄新的專題系列如「走進中資」及「第一桶金」等，力求進一步豐富其節目種類及強化本身的競爭力，並為未來電視業務收入帶來增長動力。

為了增強陽光衛視的觀眾群及壯大廣告客戶基礎，我們亦積極引入不同類型的節目，當中包括旅遊、生活休閒及音樂等豐富多彩之節目，為觀眾及廣告客戶提供更多選擇，吸引更多具潛力之廣告客戶，從而增強廣告銷售能力。

作為區內主要優質節目內容供應商，陽光文化媒體集團的節目於大中華地區已覆蓋逾三千五百萬電視家庭用戶，而在北美方面，我們的節目亦已透過天下電視與時代華納及Charter有線電視網，進入了洛杉磯地區近四十萬戶有線電視用戶。



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With the soft launch of digital pay-TV in the PRC, Sun Media Group's programmes have already entered into 10 encrypted digital cable TV platforms, including Shanghai Broadband Cable, in December 2002. It is estimated that the launch promotion of digital cable TV services will be rolled out in all provinces and cities in the PRC this year. Capitalizing on its competitive edge as a content provider, Sun Media Group will benefit from this profit sharing business, providing a supplementary income source to its advertising revenues.

The overseas TV business

JET TV has been developing steadily with a presence in Taiwan, Singapore, Malaysia, the PRC, Australia and North America. During the year, JET TV contributed a total amount of HK\$35.6 million to the Group's turnover. For programme development, JET TV formed a strategic alliance with Japan's JIC Satellite Channel, successfully bringing in the latest Japanese travel and leisure programmes which are broadcasted for 2 hours a day on weekdays. In addition, JET TV has obtained selected drama and game shows from the 5 biggest privately owned TV stations in Japan, and also began to develop self-produced programmes.

The programme distribution business

Backed by its reputable brand name and vast programme library, Sun Media Group enjoys a leading position in the media industry. The Group successfully built up "branded blocks" on nearly 100 local channels in the PRC, forming a huge syndication network with an audience size of tens of millions TV households. In addition, the programme distribution business grew rapidly with several major programmes being distributed to local TV stations in various provinces and cities in the PRC.

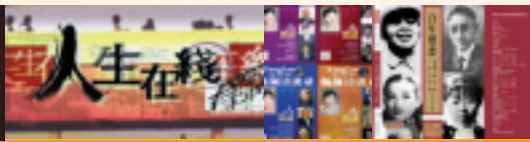
隨著國內數字收費電視的基本啟動，陽光文化媒體集團電視部門之節目已於二零零二年十二月進入了包括上海市寬頻有線在內的十個省、市有線電視網之數字加密收費有線電視平台，預計國內各省市將於今年內陸續開展大規模的數字有線電視內容提供之推廣業務，故陽光文化媒體集團的電視部門以收入分成為基礎的內容供應商營運模式將可全面發揮優勢，對廣告收入形成補充。

境外電視業務

於過去一年，JET TV一直發展穩健，為集團帶來約港幣35,600,000元之收入。JET TV的覆蓋範圍遍及台灣、新加坡、馬來西亞、中國、澳洲及北美洲。節目發展方面，JET TV與日本JIC衛星頻道組成策略聯盟，成功引入日本最新的旅遊休閒式節目，於週間提供每日兩小時節目播出。另外，JET TV亦取得日本五大民營電視台之精選戲劇與綜藝節目，並開展營運其自製節目。

節目發行業務

陽光文化媒體集團擁有著名品牌及龐大的節目片庫，穩佔媒體業內舉足輕重之地位，使集團成功於國內近一百個省市的電視頻道中建立「品牌時段」，並組成了一個巨大的發行網絡覆蓋數千萬電視家庭用戶，而節目發行業務亦增長迅速，多個重點節目均發行至國內省市級電視台。



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As the Group's flagship programme, "Yang Lan One on One" has been enjoying tremendous popularity both with audiences and within the industry. It has been syndicated to 24 local TV stations in various provinces and cities in the PRC. A total of 260 episodes from A&E's History Channel have also been syndicated to 58 TV stations nationwide. A series of Chinese historical and cultural features such as "Immortal Marriage", "Story Behind the Treasure" and "The Truth" have also been provided to designated local TV stations to cater for various audience preferences.

集團之旗艦節目「楊瀾訪談錄」由於獲得觀眾及業內人士的上佳口碑，因此已發行至中國廿四個省市級電視台，而二百六十集A&E歷史頻道節目亦已發行至國內五十八個電視台。而「百年婚戀」、「國寶背後的故事」及「真實的故事」等中國歷史文化專題系列亦已發行至指定電視台，以滿足觀眾之各種喜好。

THE PUBLISHING AND DISTRIBUTION BUSINESS

Jingwen Entertainment

Subsequent to its acquisition of the Jingwen Entertainment Group in July 2002, Sun Media Group has been actively expanding its publishing and distribution business, successfully making the transition from a single TV medium into a multi-media group with high growth potential in the industry. During the year, leveraging Jingwen Entertainment's solid operations experience accumulated over the years and its established sales networks in the PRC market, Sun Media Group has created the brands of "TV Books" and "Audio Books", successfully launching various multi-media products.

出版及分銷業務

京文娛樂

自陽光文化媒體集團於二零零二年七月完成收購京文娛樂後，便積極擴展出版分銷業務，成功從單一電視媒體轉型為業內極具增長潛力之多媒體集團。年內，集團憑藉京文娛樂於國內市場累積多年的營運經驗及已建立之銷售網絡，創立了「陽光電視圖書」及「陽光聽書」品牌，並成功推出多種多媒體產品。

With the cooperation of Liaoning People's Publishing, the Group published TV books originated from selected Sun Satellite TV quality programmes. Two batches of TV books of 38 titles published with 300,000 copies have been sold. The "Yang Lan One On One" series were particularly popular with readers.

首先，我們與遼寧人民出版社合作，精選陽光衛視部份優質節目出版成為電視圖書，前後兩批合共三十八本電視圖書，售出逾三十多萬冊，其中尤以「楊瀾訪談錄」系列最受讀者歡迎。

With regard to the audio books business, the Group cooperated with "中國文采聲像出版公司" to publish 24 audio books in the form of cassettes and CDs which received positive responses from the market.

至於聽書方面，集團與中國文采聲像出版公司合作出版了二十四種產品，分別以磁帶及CD兩種形式出售，市場反應理想。



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With the formation of its strategic alliance with Bertelsmann Book Club in 2002, the Group established “京文視界圖書經營部” in The Malls at the Oriental Plaza in Beijing in January 2003. This was the first time that retail and mail order services were combined in one shop selling books, e-publications and audio products. In just a few months of operation, “京文視界圖書經營部” has sold over 1,000 product categories with satisfactory results.

Jingwen Entertainment entered into a cross-media cooperation agreement with Legend (Beijing) Holdings Limited (“Legend”), one of the largest IT corporations in the PRC, in July 2002. In line with its mission to provide comprehensive services to customers, the cooperation aims to provide an extensive range of local and foreign entertainment products, including CDs, MP3s, VCDs, DVDs, audio books and TV books. Jingwen Entertainment’s products are currently available in 10 Legend 1+1 chain stores, spanning different districts in Beijing.

Leadership Publishing

To further enhance the foundations and growth drivers in its publishing and distribution business, the Group entered into an agreement with China Strategic Holdings Limited, Hanny Holdings Limited and Star East Holdings Limited, the former substantial shareholders of Sing Pao Media Group Limited (“Sing Pao Media”), for the acquisition of 55% of the issued share capital of Sing Pao Media at a total consideration of approximately HK\$92.9 million on 9th December, 2002. This acquisition has enabled the Group to evolve into a modern multi-media group running the TV businesses, publications of music, audio-visual products, newspapers and magazines and a distribution business with a widespread network that spans from the Greater China Region to the globe. This acquisition also enhances Sing Pao Media’s publication business and provides room for future expansion.

This equity transaction triggered a general offer to all Sing Pao Media’s shareholders in February 2003. As a result, Sun Media Group’s shareholding in Sing Pao Media increased to 75% as at 31st March, 2003.

透過二零零二年與貝塔斯曼書友會所組成之策略夥伴關係，集團於二零零三年一月在北京東方廣場東方新天地開辦「京文視界圖書經營部」，此乃首家集銷售、郵購圖書、電子出版物及音像產品為一體的綜合經營部。開業短短數月，「京文視界圖書經營部」已銷售超過一千多個品種的產品，成績不俗。

京文娛樂與國內最大的資訊科技企業之一聯想(北京)有限公司(「聯想」)於二零零二年七月達成跨媒體合作協議，兩強聯手以全方位服務為基礎，為顧客提供最為豐富的國內外娛樂產品，種類包括CD、MP3、VCD、DVD、聽書及電視圖書等多媒體產品。現時，京文娛樂的產品已進駐十家聯想1+1專賣店，分佈於北京各個城區。

現代旌旗出版

為強化集團的出版及分銷業務基礎及增長發展動力，於二零零二年十二月九日，集團向成報傳媒集團有限公司(「成報傳媒」)的前大股東中策集團有限公司、錦興集團有限公司及東方魅力集團有限公司收購其合共有成報傳媒已發行股本之55%，總代價約為港幣92,900,000元。是次收購能真正把陽光文化媒體集團打造成為一個包含電視、音樂、錄像、報紙、雜誌出版及分銷網絡在內之「地跨大中華，輻射全世界」的現代跨媒體集團；與此同時，亦能進一步鞏固成報傳媒的出版業務及擴闊未來發展空間。

再者，是次股權交易亦促使陽光文化媒體集團於二零零三年二月向成報傳媒提出全面收購，令陽光文化媒體集團所持成報傳媒股權增至75%(截至二零零三年三月三十一日)。



Business Review and Prospects

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Subsequent to the acquisition, Sing Pao Daily News was repositioned as a positive and healthy mass newspaper with comprehensive reforms being carried out on 1st March, 2003. With the goal to maintain its leading position in the competitive market, Sing Pao Daily News has enriched its content, improved its internal operational efficiencies, extended the distribution network and expanded the advertising client base. Sing Pao Media also changed its name to "Leadership Publishing Group Limited" in April 2003 in line with the Group's upcoming business development strategies in the Greater China Region. Subsequent to this acquisition, the share price of Leadership Publishing has increased by 80%, demonstrating the market's confidence in the future of Leadership Publishing.

THE EDUCATION BUSINESS

Jingwen Multimedia Education

In view of the growing demand for quality educational resources in the PRC, Jingwen Multimedia Education is committed to introducing top quality products in fundamental education and science education to enrich the students' and the public's science knowledge. With the huge potential for the PRC's education market, Jingwen Multimedia Education has formed a strategic alliance in education development with Discovery Licensing Inc. ("Discovery"), a world-renowned educational content provider, to grasp business opportunities in the PRC.

During the year, Jingwen Multimedia Education successfully introduced different kinds of products from Discovery. Product localization was completed in March 2003 and all products have been certified and approved by the Ministry of Education, PRC. The variety of these products is extremely comprehensive, with over 188 books, software and VCD titles covering natural science education for secondary schools and over 50 items for English learning.

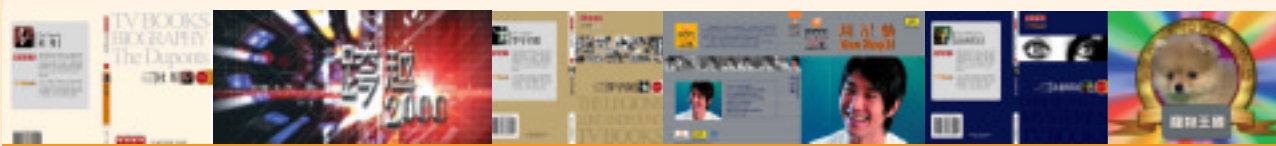
入主《成報》後，集團把《成報》定位為一份正面健康的大眾化報章，並率先於二零零三年三月一日進行全面改版，積極豐富報章內容之多彩性、提升內部運作效率、擴大發行網及爭取更多廣告客戶，務求在競爭激烈的報業市場中穩佔領先地位。另外，成報傳媒亦已於二零零三年四月易名為「現代旌旗出版集團有限公司」，以配合集團未來於大中華地區之業務發展策略。陽光文化媒體集團入主現代旌旗出版集團後，其股票價值上漲已逾80%，顯示了市場對現代旌旗出版集團未來之信心。

教育業務

京文教育多媒體

有見中國對優質教育資源的需求日盛，京文教育多媒體致力引進高素質的基礎教育及科學教育資源，著力提高學生及全民的科學水平。有見中國教育市場潛力龐大，京文教育多媒體與國際著名教育內容產品製造商 Discovery Licensing Inc. (「Discovery」) 組成教育發展聯盟，積極抓緊國內市場之業務商機。

年內，京文教育多媒體成功引入Discovery多種不同形式的產品，並於二零零三年三月完成對產品進行本地化的工作，並取得教育部的產品認證及鑑定。該批被引入的產品數目繁多，種類包羅萬有，當中備有適用於中學自然科學教育之圖書、軟件及VCD等一百八十八種，以及逾五十種適用於大眾英語教育的產品。



Business Review and Prospects

業務回顧及展望

Jingwen Multimedia Education also established long-term partnerships with 3 large publication companies under the Ministry of Education, PRC, namely, People's Education Press House, Central Education Science Publication House and Higher Education Press, to jointly publish educational books, software, audio products, as well as to promote quality educational products to satisfy public demand.

ACQUISITIONS AND STRATEGIC ALLIANCES

As Sun Media Group has always been dedicated to expanding its operation scale, the management has been exploring potential acquisition targets and strategic partners to diversify the Group's business scope and boost its revenue growth. In the year under review, the Group completed several acquisitions, generating additional synergies for its various businesses.

Firstly, the Group acquired the entire stake in 2 profitable businesses, Tianjin Haijin Audio-visual Distribution Limited and Taiwan Hanyin International Holdings Limited. These acquisitions provide synergies for Jingwen and JET TV in the expansion of their businesses in the PRC and Taiwan respectively. They also broaden the Group's distribution networks and strongly enhance its market position in the PRC and Taiwan. Taiwan Hanyin's business also provides strong support for the advertising business of the Group's TV channel in Taiwan.

In addition, the Group entered into a strategic investment agreement with ASTV, a US-listed company, in October 2002. ASTV owns Shandong Hongzhi, a large-scale local advertising agency in the PRC, and is principally engaged in the provision of fee-based TV content in the East Asian and South East Asian regions. At the year end date, the market value of this strategic investment has increased to over HK\$600 million. On the one hand, the management believes that this strategic investment will bring desirable returns for shareholders. On the other, the disposal of Capital Channel will reduce the Group's operating costs, enabling the Group to achieve positive cash flows and reap profits as soon as possible.

京文教育多媒體亦分別與教育部屬下三大出版社 — 人民教育出版社、中央教育科學出版社及高等教育出版社，就教育圖書、教育軟件及教育音像等出版業務建立了長期友好的合作關係，共同推廣優質教育產品，滿足大眾的需求。

收購及策略聯盟

一直以來，集團均非常重視營運規模的發展，因此不斷積極尋找合適及具潛質的收購對象或聯盟夥伴，以配合集團多元化的業務發展及加速收益增長。回顧年內，集團亦進行了多項收購項目，為眾多不同業務帶來額外的協同效益。

首先，集團再度出擊收購兩家具盈利的企業之全部股權，分別為天津海津音像發行有限公司以及台灣汗音國際事業股份有限公司，對京文與JET TV分別擴展中國及台灣之營運具有相當的互補性，並且能進一步擴闊集團的分銷網絡及提升市場地位。而汗音的業務又為集團在台灣的電視頻道之廣告銷售提供強勁支持。

此外，集團於二零零二年十月與美國上市之ASTV達成協議作策略性投資。ASTV於國內擁有規模較大之本土廣告代理公司山東宏智，並主要於東亞及東南亞地區從事收費電視內容供應業務。於年結日，集團是項策略性投資經已增值至超過港幣600,000,000元。管理層深信是項策略性投資一方面能為股東帶來良好回報；而另一方面則希望通過轉讓Capital Channel可為集團節省一定的營運開支，有助改善現金流及達致盡早實現利潤的目標。



Business Review and Prospects

業務回顧及展望

Since the acquisition of Shandong Hongzhi by ASTV was just completed by early 2003, its operating results and assets value has yet been fully reflected in the financial statements of ASTV. The management adopted a prudent approach to state the investment cost of ASTV in the balance sheet of the Group instead of its market value. In view of the bright future and huge potential of the PRC advertising market, as well as the solid business foundation of Shandong Hongzhi, the management believes that it will significantly contribute to ASTV's results. It is also anticipated that Sun Media Group will share the fruitful results achieved by ASTV.

With regard to its strategies in the development of the TV business, the Group is focusing its resources on developing other operations and businesses, the Group sold its 51% stake in the Macau Satellite Television Travel Channel to Macau Media Holdings in exchange for a 6.5% shareholding in Macau Media Holdings in September 2002. This not only reduce expenditures in the Group's TV business, but will also guarantee fruitful returns on the Group's investment.

PROSPECTS

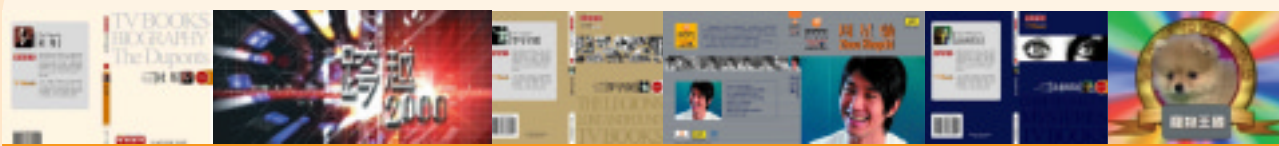
As a multi-media corporation, Sun Media Group is committed to diversifying its media businesses, grasping every opportunity to become one of the world's best Chinese multi-media groups. Leveraging its proven track record, current competitive edge and promising prospects, Sun Media Group will implement comprehensive and aggressive operational strategies to accelerate its business development and achieve outstanding performances.

由於ASTV收購山東宏智只是剛於二零零三年初完成，有關之業務尚未能充分反映其價值於ASTV之財務報表上。為此，管理層按著保守原則，以投資成本代替其市值列於集團的綜合資產負債表內。唯管理層有見於國內廣告市場前景秀麗，潛力龐大，加上山東宏智穩健的業務基礎，深信其對ASTV的業績定有可觀的貢獻；與此同時，預期陽光文化媒體集團亦能得以分享ASTV的美好成果。

在電視業務發展策略上，集團為了集中資源發展陽光衛視、電視製作與發行業務及JET TV，因此於二零零二年九月出售澳門衛視旅游台之51%股權予澳門傳媒控股，以換取其6.5%股權。此舉不但減少了電視業務相關開支，並且保證集團能在投資上得到回報。

展望

作為一家多媒體企業，陽光文化媒體集團一直努力不懈發展多元化媒體業務，抓緊每個合適的機會，朝著成為世界最優秀的中文跨媒體集團之一目標進發。憑藉我們過去的成績，現有的優勢及未來的機會，陽光文化媒體集團將會採取全面及積極的營運策略，使業務能快速發展，盡力爭取理想表現。



Business Review and Prospects

業務回顧及展望

THE TV BUSINESS

The TV business in the PRC

Though Sun Satellite TV has already become a reputable and quality programme channel for Chinese people around the world, it will maintain its emphasis on programme quality and continue to produce special interview and documentary programmes. To optimize its long-term operational efficiencies, Sun Media Group is exploring the possibility of bringing in strategic investors as partners to widen business opportunities for Sun Satellite TV. In May 2003, the Group successfully formed a strategic alliance with Strategic Media to jointly bring the satellite TV broadcasting business of Sun Satellite TV in the PRC to ever higher standards and to ever broader horizons.

Strategic Media is a well-known drama and TV programme production company with a strong advertiser network. Strategic Media has acquired 70% interests in Sun Satellite TV and also appointed the Group to produce an agreed number of hours of programmes at a total consideration of RMB80 million. Both parties have agreed to jointly develop Sun Satellite TV. Additionally, Strategic Media guarantees the injection of working capital, advertising revenue and profit.

Strategic Media is an up-and-coming private media organization in the PRC. The alliance provides synergies in programme content, capital funding and the advertising client base, enhancing the superior branding and improving the competitive edge of Sun Satellite TV. The cooperation also lays solid foundations for the second stage of Sun Satellite TV's development.

After completion of the transaction, the Group will continue to hold a 30% stake in Sun Satellite TV and retain its TV production and programme distribution teams. It will aggressively expand programme distribution in the PRC and pay-TV business while it will also develop the overseas satellite TV business.

電視業務

國內電視業務

儘管陽光衛視已成功成為全球華人地區著名的優質節目頻道，我們仍會堅持對節目品質的重視，繼續製作具特色的訪談及專題節目。另外，為確保陽光衛視長遠的營運效益，我們亦會考慮物色策略投資者為合作夥伴，以給予陽光衛視一個更廣闊的發展空間。因此，集團於二零零三年五月成功與 Strategic Media 組成策略聯盟，共同參與發展陽光衛星電視頻道，攜手努力將陽光衛視之中國衛星電視廣播業務提升更高的水平，開創業務新領域。

Strategic Media 為國內著名電視劇及影視節目的製作商，並擁有一個豐富的廣告客戶資源。是次 Strategic Media 將以人民幣 80,000,000 元換取陽光衛星電視頻道之 70% 股權，並委託陽光文化媒體集團製作若干小時的節目，而雙方亦會共同發展陽光衛視。Strategic Media 對未來陽光衛視之營運資金的投入、頻道的廣告及利潤均作出了保證。

是次集團與 Strategic Media 這支國內民營傳媒的新興力量合作，形成了雙強聯手，不單為雙方在節目資源、資金與廣告客戶基礎上帶來優勢互補，同時亦進一步鞏固陽光衛視的品牌地位及提升競爭實力，為陽光衛視第二浪的發展高潮奠定穩健基礎。

在這次聯盟後，陽光文化媒體集團仍將持有陽光衛星電視頻道中 30% 股權，並保留原電視製作與節目發行隊伍，以大力拓展國內之節目發行業務及收費電視業務，並進一步在海外擴展衛星電視業務。



Business Review and Prospects

業務回顧及展望

Advertising sales strategies will be focused on strengthening the sales system, establishing a strong sales network, providing a diversified sales model and improving quality. The original sales team in Shanghai will be integrated with sales teams from ASTV and Shandong Hongzhi in Beijing. The joint force will develop an advertising agency business for the TV media, aggressively establish an extensive sales network and provide value-added services for clients. These efforts will help to achieve the Group's growth targets within a short period of time and to guarantee long term and stable revenue streams for the Group.

The overseas TV business

In the coming year, JET TV will maintain its business goals to enrich its programme content by introducing the latest and most popular dramas to expand its audience coverage to different age groups. The dramas, featuring popular screen idols, will be broadcasted bilingually, with a Mandarin voiceover in addition to the original language. Popular self-produced programmes will be extended to everyday broadcasts, creating greater audience interaction and recognition. JET TV also plans to reach young audiences by strengthening its cartoon time slot. At the same time, JET TV will establish its first cooperation with tourist alliances in Japan to produce travelogues to satisfy audience demand in 2003.

With JET TV's successful penetration into North America in 2002, the Group is planning to extend its coverage to Hong Kong, Indonesia, the Philippines and New Zealand, and to further expand the Group's global footprint.

Looking to its advertising promotion strategies, JET TV will tailor-made advertising plans for clients in the future to complement their sales and public relations activities. In the competitive advertising industry, JET TV aims to be the ideal business partner for advertising clients.

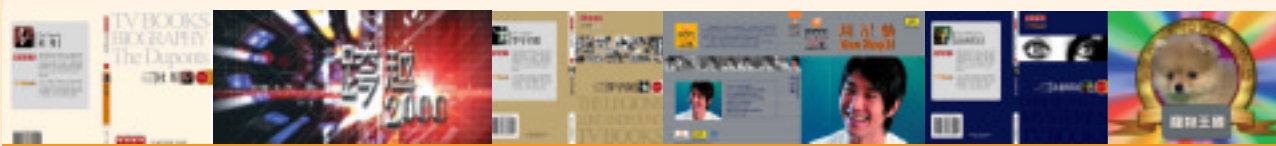
廣告銷售策略將著重於強化銷售體制、建立強大的銷售網絡、提供多元化銷售模式及提升銷售質素等。原上海銷售隊伍會與公司參股之ASTV和山東宏智於北京之銷售團隊結合，發展其他大眾電視媒體的廣告代理業務，積極建立廣闊的銷售網絡，為客戶提供多種增值服務，希望能於短時間內達到集團定下的增長目標，並保證集團享有長期及穩定的收入。

境外電視業務

未來一年，JET TV仍會堅持其一貫宗旨，積極引進最新及最受歡迎的戲劇，使其節目更豐富多姿，進一步拓展不同年齡之收視群，如熱門偶像劇將採用國語配音與原音兩種方式播出，而廣受好評的自製節目亦會延伸為每日定時播出，以期能與觀眾產生互動，使觀眾產生共鳴。再者，JET TV亦計劃增加以青少年為對象之強檔卡通時段。除戲劇外，JET TV於二零零三年更會首度與日本各觀光聯盟合作，推出最具當地特色之旅遊節目，以滿足觀眾的需要。

繼二零零二年JET TV成功落地北美洲後，集團有意於本年度陸續將其覆蓋範圍延伸至香港、印尼、菲律賓、紐西蘭等地，進一步擴展集團的電視業務領域。

而在廣告推廣策略方面，JET TV未來將以為客戶提供度身訂做的廣告方案，配合銷售及公關活動來推行，冀於現今廣告行業的白熱化競爭下，使JET TV成為廣告客戶的良好合作夥伴。



Business Review and Prospects

業務回顧及展望

THE PUBLISHING AND DISTRIBUTION BUSINESS

Jingwen Entertainment

Jingwen Entertainment has successfully penetrated the publishing market with its high quality TV books featuring history, biographies and interviews. Jingwen Entertainment is cooperating with several different publishers to launch a variety of products to increase market share. Jingwen Entertainment and Oriental Publication Co. jointly published 9 new titles of TV books. The Group is also planning to publish a number of books, including books of its self-produced programmes, book collections and best-selling books etc.

Among its audio products, Jingwen Entertainment will produce CDs and cassettes on classical children's stories and family health to expand the Group's product range and to create new revenue source.

With regard to the distribution of other products, the Group will expand its cooperation and product variety in Legend 1+1 chain stores. At the same time, the Group will continue to enhance its cooperation with Bertelsmann Book Club, aiming to expand its customer base through the membership system. This will boost the sales of books, e-publications and audio-visual products.

To consolidate the development of the publishing distribution business, the Group disposed of Jingwen Records in June 2003, successfully bringing in RMB35 million in cash, and retained only its audio-visual product distribution channel business and education publishing business under Jingwen Entertainment.

Leadership Publishing

In view of the keen competition in the newspaper market, the management will focus on lowering operating costs for Sing Pao Daily News while increasing advertising revenues, to achieve cash breakeven within next year.

出版及分銷業務

京文娛樂

憑著高質素的歷史、人物及訪談的電視節目圖書，我們已成功地佔據了市場。現在，我們正積極與不同的出版商合作，推出更多類型的產品，從而進一步擴大市場佔有率，如京文娛樂與東方出版社合作出版九本新電視圖書。另外，我們亦計劃出版多本其他書籍產品，包括自製節目圖書、叢書及暢銷書等。

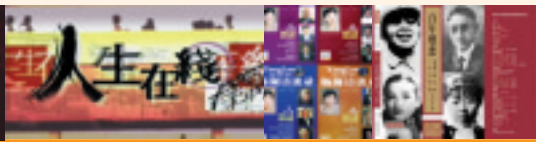
至於音像產品出版，京文娛樂將會製作有關兒童經典童話及家庭健康之CD及磁帶產品，以擴闊銷售層面及開拓收入來源。

其他產品分銷市場方面，集團一方面將擴大與聯想1+1專賣店的合作網點及產品種類；而另一方面亦繼續加強與貝塔斯曼書友會的合作，以針對會員制客戶群的店面零售，全面帶動圖書、電子出版物及音像製品的銷售。

為鞏固出版分銷業務之發展，集團計劃只重點保留原京文娛樂旗下之音像分銷渠道業務及教育出版業務，並於二零零三年六月把京文唱片業務出售，成功套現人民幣35,000,000元。

現代旌旗出版

面對現今白熱化的報業市場，管理層未來將集中力量進一步降低《成報》的營運成本，致力提升廣告收入；爭取在今年內達到現金的收支平衡。



Business Review and Prospects

業務回顧及展望

With the entry into the WTO, the PRC's publishing and distribution market is gradually being opened. To seize the development opportunities and huge potential in the publishing and distribution market, the Group entered into a letter of intent with “北京旌旗席殊書屋有限公司” (“席殊書屋”) in April 2003 to form a joint venture to explore the private sector of publishing and distribution market. With the widespread distribution network of “席殊書屋”, extensive distribution channels for audio products, books and magazines can be incorporated into the Group's future publishing and distribution business. A strong sales network will also be established, bringing fruitful returns to both parties.

Additionally, the Group is actively exploring opportunities to co-operate with publishing and distribution companies in the PRC. The Group expects to acquire private publishing and distribution companies in 10 to 12 provinces in the PRC in the next 12 months, enabling the Group to emerge as one of the top publishing and distribution companies in the PRC.

THE EDUCATION BUSINESS

Jingwen Multimedia Education

Leveraging the success of its quality thematic programmes, Sun Satellite TV has been diversifying its programme variety to broaden the audience base. In view of the substantial demand for professional educational programmes, the Group will launch a number of English educational programmes through the Sun Satellite TV platform in the daytime. This will enable Sun Satellite TV to extend its audience coverage to school districts.

With the introduction of play and learn English educational programmes and children's learning programmes, the Group will further enhance its TV business, audio-visual product distribution and content integration businesses. This will enable the Group to develop an additional competitive edge and reinforce its leading position in the media education market.

隨著中國加入世貿，內地的出版分銷市場將會逐步開放，為把握發展這個具龐大潛力的出版分銷市場，集團已於二零零三年四月與北京旌旗席殊書屋有限公司（「席殊書屋」）達成協議，共同組成合營公司，聯手開拓國內民營出版分銷市場新領域。憑藉席殊書屋之完善分銷網絡，未來集團之出版分銷業務將融合音像產品、圖書及報刊等分銷渠道，建立一個強大的銷售網絡，為雙方帶來可觀的回報。

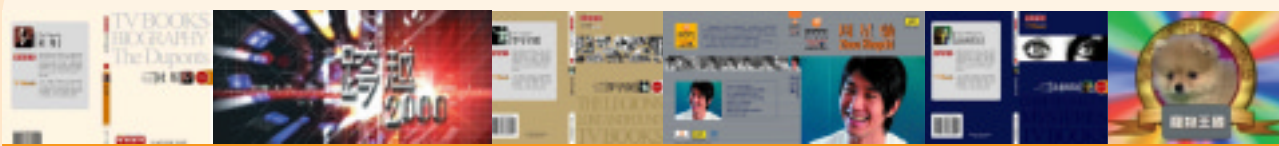
此外，集團將積極爭取與國內出版分銷集團的合作，預期能可於未來十二個月內完成收購國內十至十二個省份之民營出版分銷企業，努力成為國內領先的印刷出版物分銷公司之一。

教育業務

京文教育多媒體

憑藉製作優質主題節目之成功，陽光衛視亦不斷嘗試提升節目的多元化，以擴闊觀眾群。有見市場對專業教育節目需求甚殷，集團會利用陽光衛視作為平台，陸續將多個英語教育節目於陽光衛視之白天時間播放，有利擴展陽光衛視之覆蓋層面至學校地區。

而透過引入以寓教於樂為主的英語教育及兒童教育節目，集團將能進一步鞏固其電視、音像分銷及內容整合等業務，有助集團於媒體教育業內建立另一發展優勢，並奠下領先地位。



Business Review and Prospects

業務回顧及展望

At the same time, to achieve its goal to be an advocate and leader of quality self-learning and English learning, Jingwen Multimedia Education is committed to introducing, developing and promoting elementary science education and English learning products.

With the huge demands for quality and fundamental science educational products, Jingwen Multimedia Education is actively sourcing for a variety of products, ranging from the secondary school level to the primary school level. The Group will seize every opportunity to introduce more multi-media learning products to cope with the new school syllabus. Jingwen Multimedia Education plans to cooperate with the education authority in the PRC to organize large-scale English comprehensive knowledge competitions. This will boost the demand for English learning products, benefiting its product promotion and sales.

Jingwen Multimedia Education expects the PRC to enter a new era in education development in the next few years. To capture this prime opportunity, the Group will not only focus on sourcing for new educational products, but also actively expand and consolidate its sales network through establishing alliances with leading partners, thus building solid foundations for its education business.

Looking forward, even though the future for the media industry remains tough, we will make every effort as we have done in the past, equipping ourselves to grasp every development opportunity, to benefit from the market's recovery.

與此同時，為實現作為國內優質的自主學習及英語學習倡導及領導者，京文教育多媒體將會全力引進、研發及推廣基礎科學教育及英語教育相關產品。

鑑於國內對高質素基礎科學教育產品的龐大需求，京文多媒體教育積極拓展產品開發範圍，由中學程度延伸至小學階段，主力提倡結合新課程標準的多媒介探究式學習產品，以爭取更多市場商機。而且京文多媒體教育亦計劃與國內的權威機構合作，舉辦以英語為主的大型跨學科知識比賽，從而帶動對英語教育相關產品之需求，有助推廣及銷售。

京文多媒體教育預計未來數年中國將會掀起一股創新教育的新浪潮，為迎接此黃金機會，我們在側重研發教育產品之同時，亦會聯合橫向發展，借助不同的外力強化實力，積極擴張及鞏固營銷網絡，建立一個穩健的教育業務基石。

展望未來，儘管媒體行業之前路並不平坦，我們仍將如過往般努力，把握每個發展機會，積極裝備，以迎接市場復甦。