

# Business Review & Prospects

# 業務回顧及 展望

## BUSINESS REVIEW

### Financial Review

2003/04 was another year brought its full share of challenges for the Group. From the War in Iraq to the Severe Acute Respiratory Syndrome ("SARS") outbreak at the beginning of the year to the bird flu towards the end, these events exerted profound impacts on the global economy. As a key player in the media industry, the Sun Media Group also felt the pressure of severe competition in the testing environment. Despite that, the Group saw and seized the opportunity to complete its business transformation. It expanded its activities to cover two major businesses - "TV" and "Publishing & Distribution". By the sustained and conscientious efforts of its Management, the Group streamlined its cost structure allowing it to improve operational efficiencies and secure stable revenue.

In 2003/04, Sun Media Group's total turnover reached approximately HK\$184.1 million, representing a slightly decrease of 0.2% over last year (2003: approximately HK\$184.5 million). With the continuous adjustment on the Group's businesses and operational model, loss attributable to shareholders significantly dropped by 36.7% to approximately HK\$231.0 million (2003: approximately HK\$364.9 million). The losses were mainly from loss of the newspaper business of Leadership Publishing amounting to approximately HK\$43.9 million and the provision for a doubtful debt due from Leadership Publishing of approximately HK\$42.5 million. The Group has also made an impairment loss of an investment in listed securities of ASTV amounting to approximately HK\$36.7 million. Loss per ordinary share was reduced to 1.68 HK cents (2003: 3.39 HK cents).

## 業務回顧

### 業績回顧

二零零三／零四年度是集團充滿挑戰的一年。從年初的美伊戰爭、非典型肺炎乃至年底所發生之禽流感，均對世界的經濟帶來嚴重的影響。面對激烈的市場競爭，作為媒體業內舉足輕重的一份子－陽光體育媒體集團亦深深體會到營商環境的惡劣。雖然如此，集團亦緊握機會完成其業務轉型，並將業務擴展至「電視」與「出版及分銷」兩大業務。與此同時，在所有管理層審慎及持續努力下，集團成功達至精簡架構，從而改善營運效益及取得穩定的收入。

於二零零三／零四年度，陽光體育媒體集團的總營業額達約港幣184,100,000元，較上年度輕微下跌0.2%（二零零三年：約港幣184,500,000元）。憑藉持續調整業務模式及改善經營策略，股東應佔虧損顯著收窄36.7%至約港幣231,000,000元，（二零零三年：約港幣364,900,000元），而主要虧損是來自現代旗旗下之報紙業務虧損約港幣43,900,000元和對其一筆應收款之撥備約港幣42,500,000元。此外，集團亦對投資於ASTV股票作約港幣36,700,000元之減值撥備。每股普通股虧損為1.68港仙（二零零三年：3.39港仙）。

### **Earnings Before Interests, Taxes, Depreciation and Amortisation (“EBITDA”)**

EBITDA amounted to a loss of approximately HK\$211 million for the year ended 31st March 2004 (2003: HK\$310 million). Amortisation of goodwill arising from acquisition of subsidiaries and depreciation charge for the year were approximately HK\$7.7 million (2003: HK\$15.6 million) and approximately HK\$21.7 million (2003 : HK\$21.7 million) respectively.

### **Employee and Remuneration Policies**

At 31st March 2004, the Group employed a workforce of 191. Total staff costs including contributions to Mandatory Provident Fund Schemes incurred during the year amounted to approximately HK\$94.6 million (2003: HK\$56.1 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 2004, the Group’s current ratio was 1.1 (2003:1.6), with current assets of approximately HK\$91.8 million (2003: HK\$257.2 million) against current liabilities of approximately HK\$83.8 million (2003: HK\$162.0 million). The decrease in current ratio is mainly due to the provision of long outstanding receivables of HK\$50.3 million. Cash and cash equivalents was approximately HK\$12.7 million (2003: HK\$64.8 million). The Group’s gearing ratio at 31st March 2004 was 0.02 (2003: 0.08). The gearing ratio is calculated based on the Group’s total non-current liabilities and shareholders’ fund of approximately HK\$2.5 million (2003: HK\$31.9 million) and HK\$124.9 million (2003: HK\$385.6 million) respectively. The Group kept maintaining the borrowings at low level that minimized the interest burden to the Group.

### **扣除利息、稅項、折舊及攤銷前之盈利 (「EBITDA」)**

截至二零零四年三月三十一日止年度之EBITDA為虧損約港幣211,000,000元(二零零三年：港幣310,000,000元)。就收購附屬公司所產生商譽而作出之攤銷及年內折舊支出分別約為港幣7,700,000元(二零零三年：港幣15,600,000元)及約為港幣21,700,000元(二零零三年：港幣21,700,000元)。

### **僱員及薪酬政策**

於二零零四年三月三十一日，本集團僱有191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94,600,000元(二零零三年：港幣56,100,000元)。本集團為其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**

於二零零四年三月三十一日，本集團之流動比率為1.1(二零零三年：1.6)，其中流動資產約為港幣91,800,000元(二零零三年：港幣257,200,000元)，而流動負債則約為港幣83,800,000元(二零零三年：港幣162,000,000元)。流動比率下降主要由於為呆壞賬作出共港幣50,300,000元之撥備。現金及現金等值項目約為港幣12,700,000元(二零零三年：港幣64,800,000元)。本集團於二零零四年三月三十一日之資本與負債比率為0.02(二零零三年：0.08)，此比率乃根據本集團分別約為港幣2,500,000元(二零零三年：港幣31,900,000元)及港幣124,900,000元(二零零三年：港幣385,600,000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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The Group's cashflow requirement is mainly financed through internal generated cashflow, short-term borrowings and equity financing. There has not been any change in the Group's funding and treasury policies, and the Group continues to follow the practice of prudent cash management. The Group mainly borrows loans in HK\$, RMB and Taiwanese dollars, when necessary, the Group will engage in currency hedging against exchange risks.

## The TV business

The Group's TV business recorded revenue both from the PRC and overseas markets. During the year, the total turnover of the business was approximately HK\$80.9 million (2003: approximately HK\$108.8 million), representing a decrease of 25.6%. It continued to account for approximately 44.0% of the Group's total revenue.

### *The TV Business in the PRC*

The Group's TV business in the PRC comprises TV broadcasting business through exclusive hours of operation in Sun Satellite TV, programme production and distribution sales.

With the PRC's broadcasting policy restricting operation of foreign satellite channels plus severe competition among the more than 30 satellite TV channels in the country, the Group saw limited room for further growth of advertising revenue from running a free-to-air channel providing primarily with thematic programmes. To enhance the competitiveness of Sun Satellite TV, the Group formed a strategic alliance with Strategic Media to jointly develop Sun Satellite TV, bringing in experienced management and significant financial support. Leveraging Strategic Media's rich film library and strong advertiser network, Sun Satellite TV will be able to expand its advertising base in the future.

本集團主要透過內部產生之現金流量、短期借貸及股本融資應付其現金流量所需。本集團之資金及財政政策並無任何變動，而本集團則貫徹實行審慎現金管理，並主要涉及港幣、人民幣及台幣之貸款，且將於需要時進行貨幣對沖以抵銷外匯風險。

## 電視業務

集團電視業務的收益貢獻主要來自內地與海外市場。年內，電視業務的總營業額約為港幣80,900,000元（二零零三年：約港幣108,800,000元），下跌25.6%，佔集團總營業額44.0%。

### *國內電視業務*

現時，集團的國內電視業務包括透過陽光衛視之獨家播放時段的電視廣播業務、電視製作及發行銷售業務。

由於中國廣電政策限制境外衛星頻道之營運，加上國內擁有逾三十條境外衛星頻道，競爭異常劇烈，因此集團明瞭單靠現有24小時免費播出之專業頻道模式，其廣告收入增長空間將會十分有限。為了加強陽光衛視的競爭力，集團與Strategic Media組成策略性聯盟，共同發展陽光衛星頻道，並且引入經驗豐富的管理層及帶來強大的財政支援。憑藉Strategic Media的豐富電影片庫及龐大的廣告商網絡，有助陽光衛視日後進一步開拓其廣告客戶基礎。

The Group holds 30% stake in Sun Satellite TV after the sale of 70% stake to Strategic Media for a cash consideration of RMB30 million under this alliance, generating an exceptional gain of about HK\$17.9 million as a profit contribution to the Group's TV business. Apart from cash gain, the Group retains the exclusive rights to 2 hours of programming everyday free of charge on Sun Satellite TV to broadcast its original programmes, such as "Yang Lan One On One" and "Immortal Marriage". To widen programme variety and the range of content, other time-slots will feature top quality programmes from Strategic Media and other programme producers. Furthermore, since 1st June 2003, the Group's production team has also produced and sold 116 hours of quality programmes to Strategic Media, deriving RMB16.6 million of the total of RMB50 million agreed payment by Strategic Media under the contract.

To protect the Group's long-term interest in Sun Satellite TV, Strategic Media will also guarantee its net profit after tax of not more than HK\$30 million per year for the coming 3 years and an advertising income of not less than HK\$30 million every year for the 5 years starting from 1st June, 2003. If there is any shortfall between the absolute net profit and the guaranteed amount, the Group will receive a minimum payment of 10% of the difference as compensation.

Though the Group has successfully established Sun Satellite TV as one of the leading foreign satellite channels in the PRC, depression swept the entire satellite TV advertising market due to the severe impact of the SARS epidemic and Sun Satellite TV advertising revenues also suffered. Revenues from TV advertising decreased by 14.7% to HK\$38.2 million (2003: HK\$44.8 million), accounting for 20.8% of the Group's total revenue.

根據該策略聯盟，完成以現金代價人民幣30,000,000元出售70%股權予Strategic Media後，集團仍持有陽光衛視之30%股權，並為集團電視業務之盈利貢獻帶來了特殊收益約港幣17,900,000元。除了現金收益外，集團仍會保持每天2小時於陽光衛視之永久免費播放權，以播放其「楊瀾訪談錄」及「百年婚戀」系列等原有節目。另外，為了擴闊節目種類及豐富節目內容，陽光衛視在其他時段將會播放來自Strategic Media及其他節目製作商之優秀節目。再者，自二零零三年六月一日起，集團的製作隊伍經已製作及出售116小時的優質節目予Strategic Media，並在Strategic Media於合約中同意支付之總金額人民幣50,000,000元當中取得人民幣16,600,000元。

為保障集團於陽光衛視之長遠利益，Strategic Media亦保證集團未來3年從陽光衛視中每年將取得不少於港幣30,000,000元的除稅後純利及自二零零三年六月一日起的未來5年，每年不少於港幣30,000,000元之廣告收入。屆時若實際純利低於保證金額，集團將可獲兩者差額的最少10%作為補償。

儘管集團成功把陽光衛視建立為國內具領導地位的境外衛星頻道之一，但由於非典型肺炎所帶來的嚴重影響，大大打擊了整個衛星頻道廣告市場，因此陽光衛視的電視廣告收入亦無可避免地受到影響。集團電視廣告收入下調14.7%至港幣38,200,000元（二零零三年：港幣44,800,000元），佔集團總營業額20.8%。

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One of the Group's major competitive advantages - its ability and commitment to provide TV broadcasting stations, cable TV platforms and potential purchasers with programmes of excellent quality and contents - stood out during this difficult year. The management also focused on producing quality programmes hosted by Ms. Yang Lan, the Group's Vice-Chairman, such as "Zheng He, The Eunch Admiral", "Mao Ze Tong" and "The Truth", which started bringing in a programme production income of HK\$23.9 million (2003: nil).

Enjoying a prominent brand name and social acclaims in the Greater China region, the Group maintained a leading position in the media industry, especially in programme production and distribution businesses. Several of its major programmes are being distributed to local TV stations in various provinces and cities in the PRC. The overall TV programme sub-licensing and distribution businesses recorded a turnover of HK\$18.7 million (2003: HK\$58.3 million) which accounted for 10.2% of the Group's total turnover.

## The Overseas TV Business

JET TV is a 24-hour Japanese and Korean channel catering to all age groups with a diverse range of entertainment programmes from drama series, variety shows, music, animation, movies, travelogue to sports. Since its launch in 1996, it has received persistently positive responses from Taiwan audiences.

Working hard over the past eight years, JET TV has successfully established a unique position in both Taiwan and the global Chinese markets boosting extensive audience coverage. Supported by its self-generated and self-contained operation, JET TV has achieved financial independence. As another core revenue stream for the Group, JET TV recorded a turnover of HK\$43.8 million (2003: HK\$35.6 million), accounting for 23.8% of the Group's total turnover.

於此艱巨的一年，集團仍能突顯其主要優勢－致力提供電視廣播，有線電視平台服務及取得具潛力購買優質節目的買家。管理層亦一直重視由集團副主席楊瀾女士製作及主持的優質節目，如《鄭和》、《我眼中的毛澤東》及《真實的故事》等，並已開始為集團帶來節目製作收入約港幣23,900,000元（二零零三年：無）。

集團於大中華地區建立為著名品牌，並贏得上佳口碑，尤其於節目製作及發行業務方面，穩佔媒體業內之領導地位。多個重點節目均發行至國內省市級電視台。整體電視節目製作及發行業務錄得之營業額為港幣18,700,000元（二零零三年：港幣58,300,000元），佔集團之總營業額10.2%。

## 境外電視業務

JET TV為一個24小時播放的日韓娛樂節目之電視頻道，提供連續劇集、綜藝節目、音樂、卡通動畫、電影、旅遊資訊及體育等多元化娛樂節目，適合不同年齡的觀眾。自一九九六年開播以來，一直獲得台灣觀眾好評。

經過過去八年的努力，JET TV成功於台灣及全球華人市場建立獨特的定位，取得廣闊的觀眾群覆蓋。建基於其獨立自主的營運模式，JET TV得以財政獨立，並成為集團另一主要收入來源，年內，JET TV錄得港幣43,800,000元之營業額（二零零三年：港幣35,600,000元），佔集團之總營業額23.8%。

JET TV is currently broadcasting its programmes through Chinese satellite networks in the U.S., Canada and Australia, as well as cable networks in Singapore. Over the years, JET TV was launched in Malaysia, Thailand, Indonesia and the Philippines, generating considerable profits. Following the above successful penetration of markets in the region, the Group was very delighted at the successful launch last year of JET TV in the platform of CABLE TV in Hong Kong. Hong Kong viewers are now able to watch the latest and the most popular Japanese and Korean dramas, travelogues and entertainment programmes provided by JET TV. Nevertheless, the Group expected to concentrate its resources on other new businesses with higher growth potential. The Group has entered into a conditional agreement on 30th December, 2003 to reduce its interest in JET TV from existing 60% to 20% by disposing its 40% interest in JET TV. The consideration will be satisfied in cash and will be completed after year end according to the terms and conditions of such agreement. Upon this intended disposal, a 40% related goodwill of approximately HK\$19.2 million was impaired in the year.

### **The publishing and distribution business**

The turnover for the overall publishing and distribution business increased by 36.3% over the previous year to HK\$103.1 million (2003: HK\$75.7 million), accounting for 56% of the Group's turnover. The Group expanded into publishing and distribution business through the acquisition of 75% stake in Leadership Publishing last year, bringing in an additional turnover of approximately HK\$79.1 million. Nevertheless, the loss derived from Leadership Publishing by the Group is approximately HK\$43.9 million.

JET TV現時透過於美國、加拿大及澳洲的華人衛星網絡，以及新加坡有線網絡成功落地。經過多年發展，JET TV已於馬來西亞、泰國、印尼及菲律賓等地開播，連年獲得可觀。繼成功進入區內上述多個市場後，集團亦喜見JET TV於去年正式在香港有線電視頻道隆重啟播。香港觀眾能夠欣賞由JET TV所提供的最新及深受歡迎的日本及韓國劇集、旅遊文化及娛樂節目。雖然如此，集團希望集中資源發展潛力較大的其他新業務。故此，集團於二零零三年十二月三十日簽訂一份有條件合約，以出售JET TV之40%股權，集團於JET TV之權益遂將由現時之60%股權減持至20%。根據合約條款，是次交易之代價將以現金支付，並將於年結後完成。就是次出售股權，約港幣19,200,000元之40%相關商譽已於年內作出撥備。

### **出版及分銷業務**

年內，出版及分銷業務之整體營業額較去年上升36.3%至約港幣103,100,000元（二零零三年：港幣75,700,000元），佔集團總營業額56%。集團去年透過收購現代旌旗75%權益，以擴大出版及分銷業務之規模，並帶來額外營業額約港幣79,100,000元。然而，集團來自現代旌旗之虧損約為港幣43,900,000元。

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## **Leadership Publishing**

The Group became the single largest shareholder of Leadership Publishing after acquiring 75% stake of the company in 2003. Since last December 2003, upon the distribution in specie of all its shares of Leadership Publishing to the shareholders of the Company, the Group no longer held the majority stake of Leadership Publishing. As a result, Leadership Publishing ceased to be a subsidiary of the Group from December 2003.

During the period under the Group's management, with the effective implementation of cost control measures, the overall operation of Leadership Publishing was streamlined resulting in heightened efficiencies. Sing Pao Daily News ("Sing Pao"), for example, was rapidly transformed into a positive and healthy mass newspaper. The annual loss of Leadership Publishing was significantly reduced to HK\$104 million (2003: Loss HK\$344 million). Through placement of shares of Leadership Publishing to private investors between April and November 2003, the Group recorded a deemed disposal gain of HK\$13.5 million. During the year, Leadership Publishing disposed a subsidiary which was engaged in the website business for a consideration of approximately HK\$3.9 million resulting in a loss on disposal of subsidiary of approximately HK\$7.5 million and was recorded to the financial statements of the Group.

## **Jingwen Entertainment Group**

Seeing a lackluster future in the record business which has not been a major development direction of the Group, the management restructured Jingwen Entertainment Group during the year breaking up its businesses.

## **現代旌旗出版**

集團於二零零三年收購現代旌旗75%權益後便成為其單一大股東。然而，自二零零三年十二月起，集團將所持有之現代旌旗股份全數派送給股東後，集團已不再持有現代旌旗的主要股權。而現代旌旗亦因此由二零零三年十二月起不再為集團之附屬公司。

於集團管理期間，憑藉一連串有效的成本控制措施，現代旌旗的整體營運得以精簡，並更具效益，例如《成報》便迅速重新定位為一份內容健康的大眾化報章。現代旌旗於本年度虧損顯著減少至約港幣104,000,000元（二零零三年：虧損約港幣344,000,000元）。與此同時，現代旌旗於二零零三年四月及十一月期間透過向私人投資者配售現代旌旗股份，令集團錄得視為出售所得盈利約港幣13,500,000元。年內，現代旌旗以代價港幣3,900,000元出售旗下的網站業務，導致出現虧損約港幣7,500,000元，並已入賬於集團的財務報表中。

## **京文娛樂集團**

鑒於唱片業前景未見起色，加上亦不是集團的主力發展方向，故管理層於年內重組京文娛樂集團，將其各項業務作出分析。

The Group sold all its stake of Jingwen Record to two PRC investors for a cash consideration of RMB35 million in June 2003. This transaction resulted in a loss on disposal of approximately HK\$25.8 million to the Group. Jingwen Group remained as the agent of “DISCOVERY” educational products and “Jingwen Authorized Products” in the “DISCOVERY” chain store business in Hong Kong and the PRC, and maintained the “Jingwen Multi-Media Education” co-operation with the Central People’s Education Publication Co.

The restructuring of Jingwen Entertainment Group and the sale of Jingwen Record enabled the Group to concentrate its effort and resources to fully develop and integrate its publishing and distribution businesses and market, especially in the education area. Recognising the lack of interactive educational software in the PRC, the Group is committed to developing modern educational resources and enhancing the sales of its multimedia educational products to school networks. Its goal is to assist school in training students’ basic abilities through providing educational tools employing scientific, interesting and interactive teaching modes.

### ***Jingwen Multimedia Education***

The education publishing and distribution businesses operated by Jingwen Multimedia Education is developed steadily. To build a solid foundation for its education business and capture the huge market potential in the PRC, the Group has been actively expanding and consolidating its sales networks through establishing alliances with leading partners in PRC. During the year, Jingwen Multimedia Education has established long-term partnerships with three large publishing companies under the Ministry of Education PRC. The three partners are the People’s Education Press, the Central Education Science Publication House and the Higher Education

集團於二零零三年六月以現金人民幣35,000,000元向兩位國內投資者出售京文唱片之100%股權。是次交易為集團帶來虧損約港幣25,800,000元。另外，京文娛樂集團將繼續發展代理「探索」教育產品及教育之業務，並代理中港「探索」連鎖店業務之「京文授權產品」，以及維持與中央人民教育出版社合作經營「京文教育多媒體教育」。

是次重組京文娛樂集團及出售京文唱片實有利集團集中力量及資源，全力開拓與整合出版分銷業務與市場，特別是在教育範疇。集團深明國內市場缺乏互動教育軟件，因此將致力開發現代教育資源及加強多媒體教育產品的學校銷售網絡。集團期望通過向學校提供具有科學性、趣味性及互動性的教育工具，以協助他們鍛煉學生的基本能力。

### **京文多媒體教育**

由京文多媒體教育營運的教育出版及分銷業務發展平穩。為建立穩固的教育業務基礎及爭取國內龐大的市場商機，集團一直透過與國內著名夥伴組成聯盟，積極擴大及強化其銷售網絡。年內，京文多媒體教育分別與國內教育部屬下三大出版社建立了長期合作關係。該三大



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Press, and the partnerships entail the publication of educational books, software, audio products to satisfy public demand, and also the promotion of quality educational products in secondary and primary schools.

The management expected the education sector of the PRC to enter a new era of development in next few years. With Jingwen Multimedia Education as one of the core businesses, the Group will also employ various platforms with a focus on English education to explore every investment opportunity in the market to ensure business development in the coming year.

## Acquisition of a subsidiary

During the year under review, the Group re-negotiated the acquisition terms and completed the acquisition of the entire stake of Tianjin City Hai Jin Audio-video Distribution Company Limited for a consideration of RMB15 million (equivalent to approximately HK\$14 million) which was satisfied by the issue and allotment of 93,457,944 ordinary shares of the Company and by cash of RMB8.5 million (equivalent to approximately HK\$7.9 million). Management considers this acquisition would bring a synergy effect for the Group for the expansion of its businesses in PRC.

## PROSPECTS

Determined to become one of the world's leading and profitable multi-media groups, Sun Media Group will continue its forward-looking corporate strategies to foster business growth for the coming year. Building on past successes, the Group will grasp every opportunity to extend its current scope of operation so as to bring better returns to its shareholders and ensure its mid-to-long term growth.

合作夥伴為人民教育出版社、中央教育科學出版社及高等教育出版社，共同出版教育圖書、教育軟件及教育音像等產品以滿足大眾的需求，並向中小學推廣優質教育產品。

管理層預計於未來數年，中國教育市場將會掀起一股新浪潮。憑藉京文多媒體教育作為其中一主要業務支柱，集團來年將借助以英語教育為重心的多元化平台，積極把握市場上每個投資機遇，有助進一步發展多媒體教育事業。

## 收購

回顧年內，集團多次商討有關收購天津市海津音像發行有限公司全部股份之條款，並已完成是項收購交易。交易之代價人民幣15,000,000元（約相等於港幣14,000,000元），乃透過發行本公司共93,457,944股普通股份及現金人民幣8,500,000元（約相等於港幣7,900,000元）支付。集團相信是項收購將為集團擴展國內業務帶來協同效益。

## 展望

矢志成為一家世界具領導地位及盈利之多媒體集團，陽光體育媒體集團於來年將繼續推行其具前瞻性的企業策略，以加速業務增長。建基於過往的成功，集團積極抓緊每個合適的機會以擴展現有業務範圍，為股東帶來更佳回報及確保中長線的增長。

After a series of strategic business consolidation over the past few months, the Group successfully divested its satellite TV and newspapers publishing businesses which had incurred serious losses. It is now able to remain stable in revenue basically from the TV and distribution businesses. Apart from maintaining the existing businesses, the management and major shareholders all agreed that, with the Chinese government gradually lifting restrictions on foreign enterprises to operate in China, the Group intends to extend its operation and participate in other new businesses with huge potential.

With different major sports and entertainment events and programmes, such as the Beijing Olympics Games, the Formula One and other China motor races events in Shanghai & etc. approaching, different kinds of advertising and sports media are sprouting and developing rapidly. Capitalising on this burgeoning trend, the Group signed an agreement after the balance sheet date to acquire 60% stake in FRD Holdings Inc. ("FRD"), for a consideration of HK\$50 million, and another agreement on 21st May, 2004 to acquire 100% stake in the China Sports Media Limited ("China Sports") for a consideration of HK\$42 million.

The acquisition of the two sports companies with businesses relating to Formula One motor race (F1) and other China motor races, Sun Media Group marked the successful strategic repositioning of the Group's focus from the original culture and education media businesses to sports media businesses including advertising agency business and mega-events. The adjustment of our business development direction is expected to bring to the Group better profit growth and higher shareholders' value in the future.

經過過去數月所推行的一連串策略性業務整合，集團一方面成功撇除一直嚴重虧損的衛星電視與報紙出版業務，另一方面繼續從電視及分銷業務上取得平穩收入。有見中國政府漸漸放寬對外資企業發展的限制，管理層及主要股東一致認同集團除了要維持現有經營之業務外，亦應藉此良機擴展營運及開拓其他具龐大潛力之新業務。

隨著多個大型體育及娛樂活動日漸臨近，如北京奧運會、一級方程式大賽及中國各項賽車活動落戶上海等地，不同類型的廣告及體育媒體迅速正冒起及蓬勃發展。為緊貼此股澎湃浪潮，集團已於結算日後簽訂協議，以港幣50,000,000元代價收購方程式賽車發展控股有限公司（「方程式賽車」）之60%股份及於二零零四年五月二十一日簽訂另一份協議，以港幣42,000,000元代價收購中國體育傳媒有限公司（「中國體育」）之100%股份。

收購與一級方程式及中國方程式賽車有關的兩家體育公司之後，標誌陽光體育媒體集團成功作出策略性之重新定位，將其發展重心由文化及教育業務轉向包括廣告代理及大型活動等的體育媒體業務。是次調整業務發展方向預期可令集團取得更佳的盈利增長及提升股東價值。

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According to the estimate of the China Circuit Championship Organising Committee, the motor races in China will generate for FRD between RMB200 million and RMB300 million in advertising revenue annually in the coming 2 to 3 years. This means the new business is expected to become a significant driver for the Group's profit growth in future.

The two acquired companies have a special cooperative relationship with Shanghai International Circuit Company Limited ("SIVRC"). With its leading position as the largest participant in the Asian formula motor racing activities, FRD is the exclusive partner and business developer of some motor racing section organized by SIVRC. FRD possesses Asia's largest fleet of racing cars, and the rights to organise and enter The China Circuit Championship, The Asian Formula Renault Challenge, The China Formula Renault Challenge, The China Formula Campus Challenge, The China Spider GT Challenge and the exclusive advertising agency rights in relation to various motor racing teams.

As the organiser and promoter of motor races events in Asia and China, FRD has held the first China Circuit Championship in Shanghai on 6th June, 2004. China Sports has also reached an underwriting and revenue sharing agreement with SIVRC for the exclusive re-transmission rights of World F1 events (China Depot) in Hong Kong and Macau, the advertising agency rights of several mega promotional activities relating to The China Circuit Championship (e.g. F1 Baby beauty contest), and sale of tickets overseas.

At the same time, the Board announced that the change of the Chinese name of the Company to "陽光體育媒體集團有限公司" (for identification purposes) has become effective on 19th July, 2004, while keeping its English name "Sun Media Group Holdings Limited" unchanged.

根據上海賽車組委會方面之預測，方程式賽車參與中國賽事的每年廣告收入在未來兩、三年間會達到每年人民幣200,000,000元至人民幣300,000,000元之間，故此這項新業務定當成為集團未來盈利增長之主要推動力。

是次收購的兩家公司與上海國際賽場有限公司（「上海賽場」）均有著特殊的合作地位。作為具領袖地位的亞洲方程式賽車運動之最大參與者，方程式賽車是上海賽場部分競賽發展獨家合作夥伴及賽事市場開發夥伴，擁有亞洲最大的方程式賽車隊伍及其參與中國汽車場地錦標賽、亞洲雷諾方程式、中國雷諾方程式、康巴斯方程式、Spider GT賽車等各項權利及與多個賽車隊伍有關的多項獨家廣告代理權。

作為亞洲及國內賽事的組織及市場推廣商，方程式賽車已率先於二零零四年六月六日在上海舉辦首場中國汽車場地錦標賽比賽。而中國體育則已通過與上海賽場達成之保底分成協定，擁有全球一級方程式大獎賽中國站之香港及澳門等地的獨立轉播權、中國場地汽車錦標賽有關的數項大型活動（如在未來中國F1寶貝選美大賽）之廣告代理權，以及海外門票銷售權等。

與此同時，董事會宣佈本公司之中文名稱（供識別用途）更改為「陽光體育媒體集團有限公司」，由二零零四年七月十九日起生效。而英文名稱「Sun Media Group Holdings Limited」則維持不變。



In future, the Group will continue to dedicate its efforts on developing the original two major businesses - "TV" and "Publishing & Distribution", and simultaneously further expand its new business - sports and entertainment media.

Looking ahead, Sun Media Group will aggressively pursue its new business development directions. The Group is determined to further strengthen its leadership in the media industry of the region while securing stable, long-term returns for its shareholders.

集團在未來將繼續致力發展原有之兩大主業 — 「電視」及「出版與分銷」業務，與此同時，亦會進一步擴展新業務 — 體育及娛樂媒體。

展望將來，陽光體育媒體集團將積極朝新業務發展方向邁進。集團亦力求進一步強化其於區內媒體業之領導地位，從而為股東締造穩定的長遠回報。