

# Group Managing Director's Report >



The year 2002 was one of transition for RoadShow as we implemented several strategic initiatives to position the Group as a leading media sales advertising company by diversifying our sphere of operations and preparing the groundwork to enable us to take advantage of opportunities when the Hong Kong financial environment improves.

A major focus during the year was to build a presence in Mainland China through investments and joint ventures in Beijing, Shanghai and Guangzhou. The growth potential for the media sales industry on the mainland of China is immense. For the nine months ended 30 September 2002, the total advertising spend in Mainland China was about HK\$93 billion compared with HK\$24 billion in Hong Kong and this is expected to grow. By expanding our Mainland operations, we are diversifying our business base and not relying solely on the Hong Kong market as we expect the business outlook of Hong Kong in the future to be correlated to the development of Hong Kong economic environment. Already our presence on the mainland has resulted in a positive contribution to the Group's revenue and profits.

In Hong Kong, the Multi-media On-board ("MMOB") business continues to expand and during 2003, the service will be expanded to include more public transit vehicles.

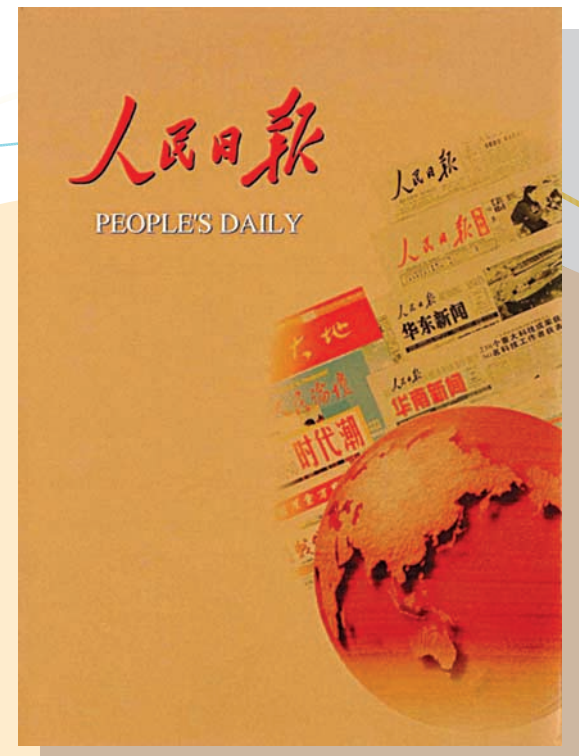
**Mainland China** In Mainland China, RoadShow has formed a joint venture with Daye Transmedia Co., Ltd. ("Daye"), a company wholly owned by the People's Daily, which is the most authoritative and influential newspaper in China. Daye is one of the few nation-wide TV programme production and media service organisations in the country. Operating under a 30-year full-service national advertising licence involving all media platforms throughout the country, the joint venture offers advertising creative design and production, media planning and placement. It will also, as permitted by Chinese law, provide programme production and syndication to more than 500 Chinese provincial, city, cable and non-cable TV stations and develop a nation-wide programme distribution network.

RoadShow has also secured the rights to display advertising at the Lamplight Rainbow on Huaihai Road, one of the top 10 scenic night spots in Shanghai. In Guangzhou, the anchor city of the dynamic Guangdong province, RoadShow has invested in a joint venture that has rights to display advertising on bus shelters, billboards, bus bodies, and telephone booths in Guangzhou. The Group currently has 100 staff members based in Mainland China.

Our strategy in Mainland China is based on focused growth. Thus, we are concentrating initially in becoming established in the three major cities of Beijing, Shanghai and Guangzhou. The advertising business is based on consumer spending and these cities are the country's centres of population and consumption growth.

Through these investments, we will develop a business model that fits the Group's young, innovative and creative management style that will translate into revenue and profits. Given our solid reputation and proven performance in Hong Kong, we anticipate attracting the attention of additional mainland partners who are leaders in the advertising industry.

The Group has expanded its media sales business in Macau by entering into an agreement with Shun Tak Holdings Limited ("Shun Tak") to form a joint venture company that will take advantage of advertising opportunities targeting the Macau tourism business. Initially, the joint venture will manage the MMOB systems and related advertising sales business for "TurboJET" high speed passenger ferries, currently operated by Shun Tak, which cover Hong Kong, Kowloon, Macau, Guangzhou and Shenzhen. Media advertising sales and management services will be developed and provided on an array of transit network facilities and outdoor tourist spots across Macau and the Pearl River Delta Region.



**Alliances** RoadShow, as the major provider of large-scale MMOB services on transit vehicles in Hong Kong, has made exclusive arrangements with major transit operators to install and manage MMOB system on their vehicles. Ultimately, RoadShow will enable advertisers to reach an audience of four million passengers a day on more than 4,000 public transit vehicles through a single point of contact. Surveys conducted by ACNielsen during 2002 showed that on an average weekday, RoadShow is able to reach 63% of the general public aged 15 to 54 or around 2.75 million people.

**Bus shelters** The media sales services benefited from the installation of additional advertising spaces in public transit vehicle shelters. At 31 December 2002, the Group had about 2,150 transit vehicle shelter panels generating revenue.

**Enhancing MMOB** We continued to be involved in testing a global positioning and mobile display technology to enhance the MMOB system. Eventually this will enable RoadShow to provide real time information and make location specific advertising possible.

We are also continuing to enrich and diversify our programme content to attract and retain the interest of our audience that travels with us every day. We have developed new contents featuring such topics as James Bond and Marilyn Monroe films, popular new Hong Kong entertainers and Tai Chi lessons. Other subjects include music videos, movie trailers, sports highlights, community services, cultural activities, English and Putonghua language lessons, education clips, charity appeals and lifestyle topics.

Programming comprises a 60-minute VCD playing sequences of two to four minutes' duration each. The programme is repeated 16 times daily. While much of our content is provided by third parties, we are considering other means to enrich our programme content.

While surveys indicate that the vast majority of public transit vehicle passengers appreciate the MMOB service, one area of some concern is the minority of our passengers who dislike the service. We have maintained a dialogue with these passengers and have made adjustments in the operation, such as lowering the audio volume and setting aside areas of the transit vehicles that have zero volume.

**Strengthening relationships** To consolidate our position as a leader in advertising sales, we adopted a strategy designed to strengthen our relationship with existing customers by providing top quality after sales services and offering tailor made advertising packages for individual customers. We are also focusing on obtaining more business from some of the largest advertising agencies and placing a high priority on cultivating long term business relationships. We work diligently at providing frequent updates on our services and presenting innovative creative ideas to our clients. We are also diversifying our customer base by increasing the number of core customers.

**Moving forward** While Hong Kong's economic downturn is affecting most businesses, especially those in the advertising industry, RoadShow will continue to build on its success of the past two years. Given our competitive advantage, we anticipate increasing our market share in media sales and at the same time continuing to support community organisations by producing promotional spots and supporting community events. We will also continue to seek strategic alliances in Hong Kong that will expand the reach of our advertising offerings. We are confident that RoadShow, as a key advertising medium, will remain in a winning position when the Hong Kong economy rebounds. With the Group's strong financial position and the efforts of our management team and dedicated staff force, we are well positioned to capture business growth when the economic uncertainties begin to clear-up.

**Our people** As at year-end, the Group had 53 full-time employees in Hong Kong and 100 in Mainland China . We recognise that RoadShow is reliant on its dedicated and professional staff for our continued success in the future.

The Group offers a comprehensive and competitive remuneration and benefits package to all employees and a performance bonus scheme to its senior staff based on achievement of business objectives. We also have a sales commission scheme for our sales team based on achievement of advertising revenue targets. The Group has adopted a provident fund scheme for its Hong Kong employees as required under the Mandatory Provident Fund Schemes Ordinance.

I thank all of our staff for their creative work and dedication. I look forward to continuing to work together with them to grow the RoadShow concept and create value for our stakeholders.

**Winnie J. NG**  
Group Managing Director