

energetic
exciting
world-class
professional
vigorous
sports

Management's Discussion and Analysis
Operations Review



sports

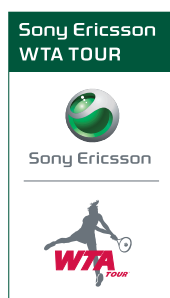
Management's Discussion and Analysis
Operations Review

Looking to the future,
China Open
will remain the
flagship event
for the Sports Group



Impacted by a legal dispute held in the first half of the year, revenues of the Sports Group dropped by 29% to HK\$208 million, compared to HK\$295 million in year 2004. EBITDA was HK\$5 million versus last year's HK\$43 million. Segment profit of the group was HK\$4 million compared to HK\$43 million in the past year. A total of HK\$46 million one-time provisions for receivables of a golf-event were made for the year.

Revenues of Sports for the year were mainly derived from *China Open* and some local sports marketing /events or non-sports events operated by Yangcheng, a subsidiary of the Sports Group.



China Open 2005

7 Grand Slam Champions

13 international brands and leading domestic corporations

400 on-site media

5,600 clippings and 20,000 photos published

CCTV live broadcast over 300 hours

Audience exceeds 80,000

In July 2005, the group settled the legal dispute for a gross consideration of approximately HK\$54 million, which include the purchase of 40% remaining interests in TML, the transfer of certain subsidiaries and Thailand operations of TML and the settlement of inter-companies balances. This settlement arrangement secured the group's commercial rights and management control of *China Open*, the group's flagship international tennis event, and full ownership of the ATP and WTA licences. The dispute costed the group a total of HK\$11 million legal fees.

The second *China Open* was successfully launched in September 2005, two months right after the settlement of the legal dispute. The event, jointly organised by Beijing Government, General Administration of Sport, TOM, China Open Promotion Company Limited (a subsidiary of Beijing Media Corporation Limited formerly called Beijing Youth Daily), and two Beijing local organising authorities, was well received by the market and



generated higher industry recognition than in year 2004. Beijing Government places a great value of the event and made it one of the major sport events in Beijing.

The 2005 *China Open* featured top international seeds including Rafael Nadal, Guillermo Coria, Juan Carlos Ferrero, Maria Sharapova, Venus Williams and Serena Williams as well as China's top women players Li Na, Zheng Jie, the 2004 Olympic double champion Li Ting and Sun Tiantian. Strong sponsors were secured including Lacoste, Beijing Shangri-la Hotel, Citizen, Tsing Tao Beer, Sony Ericsson, Panasonic, CCTV, Avon, Coca-cola, Beijing Chateau and Sohu.com.

During the year, the Sports Group successfully launched various sports and non-sports PR events including *AMWAY Nutrilite Run*, *Nokia leadership workshops* as well as *National Sports Team press conference for Asian Games*. The group has successfully launched TV programme of *Golf Magazine* sponsored by Samsung

and HSBC and acted as the commercial representation of national sports team including *National Table Tennis Team* sponsored by LG and *National Women's Volleyball Team* sponsored by Vinda.

The Sports Group has reached the cooperation agreement with Beijing Media Corporation and brought *China Open* back on track. Looking to the future, *China Open* will remain the flagship event for the Sports Group. The group will continue to invest in the event and aims to build *China Open* as a year-round programme to increase its popularity as well as broaden the revenue streams of the group.

