

MR LIU CHENGLAING:

Today I would like to talk to you about the Shanghai E Media Company's exploration in the market. Our theme today is about popular culture. In the mainland, whenever it comes about popular culture it is related to actually enjoyment. So once you talk about enjoyment, you will actually branch into this kind of entertainment.

Since 2004, all the way to 2006, a phenomenon has emerged and I'm going to share with you my views on this phenomena. That is the Supergirl, the Supergirl contest, or programme. And I'm going to tell you how did we manage to create a success with Supergirl. And how come we made it a success in the media.

First of all, let me share with you some major events. Actually, our company is a comprehensive media company. Mr Ng was very professional but we are relatively new. And we would like to explore with you the development of our company.

Another major event is you'll know that in June 2006 China Mobile bought Phoenix Satellite's 99 per cent stock. Another major event just happened in May 2007. News Corp proposed to buy Wall Street Journal and the parent company Dow Jones. The latest event is that we found on July 17th the State Administration Industry and Commerce granted China Mobile quality advertisement business qualification.

So why did I tell you about these three events? From a media professional perspective, I found that from all these events some changes in the media environment.

What these events reflected are two actual situations. One is that new media, especially wireless operators, will actually give up any chances to win advertising from the widespread media market.

Another point is traditional media like newspapers, television and radio, have huge contents archived as well as the ability to produce content, so this is their competitive edge so, basically they have already got very positive assessment or evaluation and as a result they are able to (indistinct word) very high value in the market as in the case of news corporation, Wall Street Journal. So from this perspective, we can then explore further.

Traditional media and emerging media are rather different because the revenue structure of traditional media is rather homogeneous and then for emerging media in terms of their technology has quite a lot of impact over the audience. So in the past, the advertising market was controlled mainly by traditional media, but then the situation is now changing because the structure of traditional media is very homogeneous, but then the value of this kind of traditional media to advertisers is declining.

Advertisers would like to explore other emerging media or other alternative media.

Of course, in the past, traditional media have high reach, but then their advertising rates were also very high. So if you look at television, newspapers, magazines and radio, their advertising revenue or their share of revenue all came down from 2004 to 2005. These traditional media used to have a very huge contents archive as well as a good ability to produce content, but now in the face of this kind of changes, they have to think of new ways to survive, they have to think of a new operation mode. They have to do something to break through their very homogeneous revenue structure. They have to seek alternative revenue sources.

Now I would like to analyse with you how GBS has given birth to EE Media, which would be considered rather strange and odd as a medium, because there are a lot of things that EE Media is not doing in the originally well established ways or in ways which are generally accepted, so a lot of controversies have been aroused.

In the market of traditional media, competition is getting more and more intense and their revenue is actually coming down. In Hunan, well, Hunan comes 19th in terms of GDP among all Chinese cities. Because Hunan accounts for a big share of China's GDP, very often more traditional media, for example, this year you may be earning 60 million and next year you may be earning 61 million. You may need two to three years in order to increase your total revenue from 60 million to 61 million, because the revenue that can be earned by traditional media is gradually coming down because of intense competition, so in order to increase revenue by just 1 million, it may take two to three years and it involves a lot of hard work. So actually GBS or EE Media owns a very important brand, which is Supergirl, and then we also have Superboy and then later we also developed Superdolls. So these have become very valuable brand names.

Just now we said that the market competition among media is very intense and

revenue earned by media is rapidly coming down. So why is it that after the setting up of EE Media, well, its original capitalisation is no more than 3 million at the end of 2006, total capitalisation is already 90 million, so how come EE Media could grow so rapidly? In 2003, in fact Hunan already organised the Supergirl contest. But why is it that after the setting up of EE Media, it grew from a 3 million base to 90 million within three years? Besides Supergirl had also produced a lot of records and other products. So I really have to explain to all of you a concept, and that is convergence in communication.

I believe the media have been discussing convergence all along. In fact, just now Mr Ng said that many talent or singers are participating in a lot of activities, they are disseminating the news on the Internet and they are also being featured in advertisements. So convergence is a mainstream trend in communication. However, in the mainland, because China Mobile, China Telecom and so on, they have separated structure, so they have built their networks separately. So no matter whether we're talking about technical convergence or merger in the capital market, why is it that China Mobile can buy Phoenix Satellites but not Hunan TV?

Now, because it is not possible to see the convergence of these three media within a short term, how can we enable the same content and to enjoy the same effect of convergence -- this is the thing we need to discuss today -- as content owner, that is traditional media as content owner, has to see how they can achieve higher value and also more effects with the same contents.

Of course, they have to do outstanding planning and they have to update their content. Besides, they need to be able to make use of various communication platforms to build up their very high-valued brand name through high-valued intermediary. Of course, very often at the beginning media competed on quantitative terms and later they also completed on qualitative terms. So if the brand can be combined or merged with content, then that's the best scenario.

So originally you may only be broadcasting on a single platform. Within a short period of time, you may then be able to develop a very high-value brand. Later on, you may then want to also capitalise on other communication platforms.

I would like to refer to statistics as of 2005. In fact, Supergirl is really very, very successful. Since March 2005, we started to accept applications and then there was live broadcasting on television and then message dissemination on the Internet and then we also put the contest on Bi Du . So through the Supergirl 2005 contest, Bi Du had accumulated a huge number of users. There are so many messages being posted onto Bi Du, so this can show the value of this brand, Supergirl.

Right from the first day, over 100 newspapers featured Supergirls and interviewed them. In fact, you can also take part in adjudication by way of using SMS. You can vote in favour of a certain contestant via SMS. There are over 3 million subscribers of SMS networks so let's say if I give you a paper cup without putting any label on it, it's just a tool for drinking water. But then if I put a label on it and that label shows a brand name, then this paper cup automatically becomes an advertising tool.

So newspapers are only an information transmission medium and the Internet also works like that. It may work on a point-to-point basis. Besides, there are also mobile phone users. For example, users of China Telecom or China Mobile. So if there is one more audience watching this programme of Supergirl, then very, very soon a lot of word of mouth will be generated and as a result this Supergirl activity became popular very, very rapidly. I may not be aware of this contest, but perhaps my neighbours are taking part in adjudicating and then I will become aware of this competition. In as short as five months' time, this Supergirl event becomes so popular that nobody in China is not aware of it. So then comes the question about how much value this brand Supergirl can generate. Say, for example, I can calculate the revenue via SMS on mobile phone. I can also consider the ratings of this television programme.

So on the whole, the brand value of Supergirl in 2005 is 2 billion. This is really unprecedented. No one has tried to assess a television programme with the concept of brand value. So in fact the brand is not really the television programme. It's just that the television programme has benefitted a lot from this brand, Supergirl.

Of course, the contribution of this brand is tremendous on the television programme itself. Now it is impossible for me to acquire China Mobile to send SMS. I cannot

acquire certain newspaper to make reports for me. So I am just a content provider. I am in a passive role, really. So where do I get my revenue? I only get my revenue from SMS and also from television advertising revenue.

So with convergence in communication with the creation of this brand, enormous wealth can be created.

Just now I said that the brand value is 2 billion. That is just based on theoretical assessment. In fact, we can, for example, produce various products. We can also make use of franchise. We can also charge a fee for these Supergirls to be spokespersons or icons for certain products. So all these will not affect the television programme's revenue. In fact, they all add value to each other.

So after the completion of the programme, all the activities related to Supergirl have generated a direct revenue of almost 20 million. So if you look at the performing arts market, the product market and the retail market and so on, actually you may say that this brand Supergirl has brought about a very significant change or a supplement to the revenue model of traditional media.

Basically, we believe that in 2005 Supergirl had achieved a revenue of 320 million and if you only consider the revenue for that television programme, the revenue was 180 million. So in this very intense competition environment, this brand Supergirl has really achieved a very important breakthrough.

This shows the Superfamily and, of course, we have Supergirl as well as Superboy and then we have events market. We also have the retail market. Then we also have a Superdoll cartoon series.

In fact, if you take a look at this Mr World programme, this programme would like to promote with us because they also are very impressed by the very valuable brand name of Supergirl.

If we only rely on the media to operate, then perhaps we'll encounter a lot of difficulties. We won't be able to identify some very good partners. Say, for example, when I need new talents, I need to be able to have many, many channels to try to come across all these new talents.

So apart from relying on these Supergirls/Superboys as idols, we have also created Superdoll, which is a very popular cartoon figure or cartoon series. They are like

cartoon idol or cartoon spokesperson or icon.

We also have the retail channel. We have just started this Superfamily brand. Apart from (indistinct word) and Mr World, all of them, all the others are centred around music and also creative production. So up till now this is our brand structure.

Superfamily is the umbrella brand name. In fact, it is also a physical entity. Actually, all 31 television stations in China have joined hands in broadcasting the Superfamily television programme.

In a lot of buses in the mainland, you would be able to watch a lot of reports and media features of Supergirls. And if Mr Ng Yu finds it agreeable, we will be more than happy to also feature productions by EEG.

All we've said about the brands -- actually, all along, we are talking about the media as well. In the mainland, I have talked to various professionals and media professionals, trying to get their views on this issue, that is whether any basis to the theories that I have got tonight. How can we achieve convergence communication? We need to actually adopt an open system and to facilitate convergence communication.

I feel that it is important to promote convergence communication. In media through such a kind of communication approach our company has actually has a lot more room for development and we have also not yet reached the stage or the afternoon stage. Therefore, I hope that if we have a -- actually we have lots of case studies in our hands. This afternoon, I think there are quite a number of media professionals who are supposed to speak today. I would like to hear from them about examples in the mainland or Hong Kong. I wanted to hear from them about the new models for media programmes and I want to explore about the various models of media productions so that we can help develop another EE Media. Thank you.