

## MEDIA APPLE DAILY

# A talent for shock tactics

Publisher Jimmy Lai is embattled on many fronts but he revels in the cut and thrust, write **Rahul Jacob** and **Ho Swee Lin**

Even by the standards of a newspaper publisher who is often in the news, the past few weeks have been unusual for Jimmy Lai.

In late January his newspaper, the Apple Daily, lost a courtroom battle to prevent the Hong Kong government's anti-corruption agency examining its reporters' notebooks and computer disks. The evidence was seized as part of an investigation into alleged bribery of police by Apple Daily staff to get exclusive tip-offs. In February, one of the officers pleaded guilty but the case against the newspaper continues.

Meanwhile, the AOL-Time Warner merger announcement cast a spotlight on his listed company, Next Media, among other Asian media and entertainment businesses. Rumours of an imminent deal involving Next Media sent its shares up 46 per cent on February 1.

This year, a local commission is likely to make proposals that could lead to the policing of intrusive and irresponsible reporting by Hong Kong's tabloid press. Apple Daily, Hong Kong's second-largest Chinese language daily, with a circulation of 465,000, is seen by many media critics as one of the worst offenders.

Mr Lai, 51, allows himself little time to be worried. He is too busy leveraging the paper and his magazine's web sites into a wide-ranging internet business that will appeal to Hong Kong and Chinese expatriates. After the announcement of the AOL-Time Warner merger last month, Mr Lai began discussions with Hong Kong broadcaster TVB to buy content rights to television serials.

Undaunted by the fact that AdMart, his new local online and phone delivery service, continues to show losses, Mr Lai recently told the FT he plans to use his web sites as a launch pad to sell products online to Chinese expatriates. Nearly three-quarters of the combined page views of his news sites are from overseas Chinese. "It is natural for us to build a [global] Chinatown.com," he says.

It is an audacious, ambitious vision, but Mr Lai has never been short of either characteristic. He arrived in Hong Kong at the age of 12 aboard a boat of illegal immigrants from China and spent his first few years doing menial jobs. In the 1980s he founded Giordano, an inexpensive casual clothes retailer modelled on Gap, the US chain. He was eventually forced to sell his shares in the company in 1996 after the Chinese leader-

**'The tabloid has built its readership on exclusive leaks from the police'**

ship took issue with his abusive description of former premier Li Peng and closed down the chain's several mainland stores.

Beaten but unbowed, Mr Lai poured his energies into Apple Daily, which he founded in 1995. The market then seemed less than promising. Hong Kong already had about a dozen Chinese language dailies locked in a grim battle for circulation and advertising. Against the odds, Mr Lai came up with a winner: Apple Daily is now

in second place behind the Oriental Daily News.

Apple Daily's success derives from Mr Lai's understanding of what young people want from a newspaper. If Giordano resembles Gap, Apple Daily, even for readers who cannot read a character of Chinese, looks like a clone of USA Today, with plenty of graphics, short stories and colour.

"We believed our target group was the TV generation. They like colour and pictures and they read very little," says Morris Ho, chief executive of the paper. Mr Lai adds that the paper also gives readers news they can use. It has, for example, tables comparing the pricing plans of mobile phone providers, a popular feature as most adults in Hong Kong own mobile phones.

That is the official reason for Apple Daily's success. But it has another draw: its racy coverage of Hong Kong's crime scene. Part of the reason for Apple Daily's meteoric rise was its coverage of "Big Spender", a local gangster whose many crimes included kidnapping two local tycoons. The exclusive details published in the paper led to accusations of it glorifying the criminal.

Like other Hong Kong tabloids, Apple Daily regularly runs horrific front-page photographs of victims of road accidents and assaults.

It is this formula that is under threat because of public demands for a body to curb such excesses. A legal commission setting out proposals for a press council has been set up.

Meanwhile, the anti-corruption agency's case against Apple Daily over alleged police bribes in exchange for exclusive leaks will sorely test the paper's ability to offer crime scoops.

"Apple Daily has built its readership on exclusive leaks from the police," says Yoichi Shimatsu, head of the media studies centre



Jimmy Lai: his newspaper is accused of glorifying criminals Reuters

at Hong Kong University.

Mr Lai says the paper is cleaning up its coverage because that is what the public wants. "Yes, sensationalism sells, but too much can be boring. Our focus groups tell us people are tired of it, so we are reining in." Critics say Mr Lai is not listening hard enough, pointing to recent photographs of a suicide victim.

If reworking its editorial formula were not challenging enough, Apple Daily must also contend with a new competitor, the Sun, which has adopted a similar approach. The Sun was launched last year and promptly started a bruising price war with Apple Daily.

Last June, Mr Lai opened up a battle on another front, launching the online and phone delivery service, AdMart, which slashed prices on such items as Coca-Cola and has since expanded into travel and computer sales. AdMart brought Mr Lai into conflict with some of Hong Kong's conglomerates, two of which own supermarket chains and which withdrew their advertising from Apple Daily.

AdMart continues to lose

HK\$30m (\$3.8m) a month, down from HK\$50m last year. Mr Lai has responded by restructuring the venture, contracting its logistics and delivery service out, thus spreading the costs.

Some observers say he was foolhardy to start a retail business that competes in fast-moving consumer goods where margins are wafer thin. He might have done better concentrating on the full potential of his media businesses online.

Now, he appears to be seeking to do both. He has said he will bring Apple Daily.com to Next Media, which should attract investors eager to back Asia's content providers. But Mr Lai could be spreading himself too thin. Jerry Pang, an internet analyst with HSBC Securities, says his strategies lack coherence.

Despite the danger that he may be betting on unproven strategies, Mr Lai says he is not worried about the future. He says he keeps going simply because he enjoys risk-taking and business - in that order. "I don't need the money. Maybe I like the danger of business - the danger of losing everything."