

BUSINESS BC

KEEPING TRACK | D5

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WORKING IT OUT



'Sure, kid, I like the product. But you need to work on your sales pitch.'

THIS WEEK IN 1997

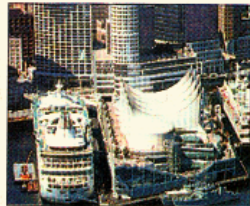
It was eight years ago that Toronto Stock Exchange computers crashed three days in a row due to massive trading in Calgary-based Bre-X Minerals, whose gold find in Indonesia — described as the biggest in the world — later proved to be bogus. It's estimated investors lost \$3 billion. Insider trading charges were laid in 1999 against former Bre-X chief geologist John Felderhof, who made \$84 million by selling stock before the hoax was revealed. The trial is continuing.

LAND OF OPPORTUNITY?

The territorial government-funded Nunavut Development Corp. expects to keep propping up the nine companies in which it holds a majority stake for years to come. Every one of the 154 full-time equivalent jobs the corporation and its subsidiaries creates costs the territorial government almost \$20,000 in subsidies. For every dollar companies earn selling caribou, char or Inuit arts and crafts, taxpayers spend about 56 cents keeping them viable. And the situation isn't expected to change any time soon — the corporation's business plans say subsidy levels are only likely to fall by about 12 per cent to almost \$1.9 million by 2009. The corporation's board of governors has set 2023 as a target for the subsidiaries to stand on their own.

**BUSINESS BC
TUESDAY**

MORE THAN 3,000 delegates from around the world are expected in downtown Vancouver today for a technology conference being hosted by Internet operations giant Cisco Systems.



In-line inflation

Bank of Canada Governor David Dodge isn't likely to raise interest rates until the country's economy consistently performs above certain targets. One of those is the inflation figure, which

ASIA IN BUSINESS BC

INNOVATIONS | Aberdeen Centre's CEO developing a business-to-business site based at his mall



BILL KEAY/VANCOUVER SUN

Thomas Fung, shown at Aberdeen Centre, is behind a new online showroom venture based at his shopping centre.

An online showroom takes shape — in a mall

BY JOANNE LEE-YOUNG
VANCOUVER SUN

The new Aberdeen Centre in Richmond promised a revolutionary retail experience — a mall bound by striking lines of curvy glass and filled with shops vowing to marry high-end East with West.

But a year later, things are far different.

Thomas Fung, Fairchild Group's CEO and owner of the \$150-million retail complex, is developing a business-to-business website that will use Aberdeen Centre as a spectacular, well-located showroom for North American businesses to view products sourced from Asian manufacturers.

"We can use a small percentage of [it] for the purpose of retailing, but increasingly it will be a showcase for wholesaling," Fung said. "We are definitely heading toward more wholesale."

It's a change in course that is still midway. The website was launched only a couple of months ago; many products haven't yet been uploaded, says Fung. For

everyday shoppers at Aberdeen Centre, the move will be subtle. After all, Fung is talking specifically about the stores he owns and partially owns. There are a more than 100 other stores, leased to various retailers, who will carry on with their usual business.

"This is a beginning. At the moment, the quantity of online sales is not a lot," he emphasizes. This week, Fairchild Group's trading arm, Thomson & Fenn, opened a new distribution and training office in Richmond and it is looking to expand its team of buyers and managers.

To understand why this latest strategy is more classic Fung than just capricious whim, go back three years.

Fung was trying to line up tenants for his new shopping mall. He approached big brand names, the ones known to North American shoppers, the national chains

Fung didn't want to pay upfront for the renovation work; he didn't

See **VANCOUVER'S** D6

Lions Gate mulls offer for British kids' TV company

BY STEVE ROTHWELL

LONDON Vancouver-based Lions Gate Entertainment Corp., whose films include *Fahrenheit 9/11* and *Monster's Ball*, said it is considering making a bid for Hit Entertainment Plc, a U.K. children's television company that last month agreed to a \$921-million US takeover by Apax Partners Worldwide LLP.

Lions Gate requested access to Hit's financial records, the company said Sunday in an e-mailed statement. Hit, whose characters include Bob the Builder and Thomas the Tank Engine, said Sunday it has received two approaches since it agreed to be bought by Apax and is "investigating" the proposals.

Lions Gate considers it "premature to discuss the nature of the bid, if any," company spokesman Peter D. Wilkes said. "We see Hit as a potentially strong strategic fit because of the complementary nature of our family entertainment business and the strength of our respective brands," Wilkes added.

"Hit has got tremendous potential," said Theresa Wise, a media analyst at Accenture in London. "A trade buyer has a bigger stable of rights and has access to [distribution] channels sorted out."

The two new approaches may scupper the transaction with Apax, Europe's largest buyout firm. By acquiring London-based Hit Entertainment, Lions Gate would add characters to its portfolio of family entertainment brands, which includes Barbie videos, Care Bears and Clifford the Big Red Dog.

See **HIT'S Q1** D4



Bob the Builder, a character of the U.K.'s Hit Entertainment.

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Vancouver's growing Asian population helped in new venture

From D1

want to collect rent based on a percentage of sales; he balked at the non-competition restrictions.

"I said to myself, why don't I go directly and grab something that is similar and try it on our own? If it is successful, I can expand and trade it as a business and if it is not, well, we can turn it into something else and try again."

So, Fung signed on Daiso, a discount brand with a cult-like following in Japan for its tidy shelves stocked with novel household goods. Opening sales in Richmond surpassed records in Japan. Scenes of shoppers jamming Aberdeen Centre's parking lots to cart away bags of \$2 knick-knacks drew in the uninitiated, but curious.

Vancouver's growing Asian population and affinity for Asian trends in everything from consumer goods to cuisine helped. Fung "is capitalizing on the fact that marketing [was] pre-done on the products before they arrived to Canada," says Natalie Tan, a retail consultant.

Riding on that success, Fung trawled Thailand, Korea, Japan, China, Hong Kong, Taiwan and Italy in search of other "unique products and brands that you can't find elsewhere in Canada." Soon, he filled about 10 Aberdeen Centre stores with his handpicked goods.

"Some of them do quite well. Some of them not as well.

"But we can afford to do a trial run and change it," says Fung, adding: "I don't have a definite plan. I just have imagination."

Indeed, he is an entrepreneur with the financial girth to experiment. His Fairchild Media Group, which owns two Chinese-language pay-

television networks, reported a jump in earnings from \$3.2 million in 2003 to \$6.5 million in 2004. Also, he is the son of Fung King Hey, a Hong Kong businessman who started a real estate and securities firm with Lee Shau-Kee and Kwok Tak-seng in 1969. When the partnership split, Fung's father retained Sun Hung Kai & Co., the largest Chinese-owned brokerage in Hong Kong at the time. The family held a controlling stake until 1995.

"It's not a big investment relative to all our investment in property development or our other investments in media. It is much, much smaller," says Fung.

Excluding Daiso, Fung estimates the average investment per shop, mostly for inventory, is about \$50,000-\$100,000. He is also able to build on an existing e-commerce department at Fairchild.

Fung's venture somewhat resembles the way American and European products have been introduced to consumers in Asia for years. Local companies there, often conglomerates with diverse interests in property and media and solid regional know-how, [like Fairchild here] buy distribution or franchising rights. The difference, says Fung, is that American and European brands enjoy global recognition before they are brought to Asia. He has introduced, for example, S.B. Furniture, the so-called Ikea of Thailand, to North America through his Aberdeen store, Smart Living Design Furniture. "It's double the work," he says.

For now, the website at www.tfdistribution.com offers gifts, toys, remote control hobby models, lighting and furniture that is all for sale and on display in Fung's Aberdeen

Centre stores. There is no shortage of websites offering to cut out the middleman. But Fung believes that his will be different.

"We have a physical presence in North America. There is no worrying about importing duties, minimum quantities, and quality control. People like that we have a showcase here. They can come and have a look if they want," says Fung, adding that the proximity of Aberdeen Centre to the airport will be convenient for out-of-town buyers.

Fung says sales of remote control hobby models such as planes, yachts, tanks and birds, sourced from Japan, Korea, and China, are already split between online and in-store traffic at his Racing Devil shop.

Still, Fung isn't completely bailing on physical retail. Aside from being a spiffy showroom, Aberdeen Centre will remain a spectacular Petri-dish of sorts for incubating retail experiments until they are ready for more mainstream North America.

"Of course, if something is a success and starts to have its own identity, then we can branch it out easily." For example, Fung says that Robson Street will soon see the arrival of two of his more successful Aberdeen Centre stores: Memory Collection, which sells gift items like handmade mulberry paper photo albums and frames from Thailand and novelty helium balloons from Japan, and itsy bitsy teenie fashion, which sells fashionable clothing for young women.

Fung will change direction halfway through a plan if his original idea isn't working out. "With the past 20 years [of experience] in business in Canada, I know how to turn things around or how to minimize losses very quickly," says Fung.

Internet giant hosts summit in Vancouver

BY SCOTT SIMPSON
VANCOUVER SUN

TECHNOLOGY | The world's largest Internet operations company expects more than 3,000 delegates at a global technology conference that begins today in Vancouver.

It's the first time that San Jose, Calif.-based Cisco Systems has held its "partner summit" outside of the United States, Cisco vice-president Paul Mountford said in a telephone interview Friday. "We chose Vancouver because it's a great city and the conference centre is world-class in its own right."

Mountford estimates that of the hardware supporting the Internet, "probably 80 per cent," is built around Cisco Systems technology.

"We're pretty much the intelligent plumbing of the Internet. We're the intelligent devices you rely on when you are sending information over the Internet, whether its video, data or voice, our devices analyze it and send it over the best route and send it securely and quickly."

The company did \$22 billion worth of business, worldwide, last year, with 94 per cent of that going through its "channels" — business partners who comprise the majority of attendees to the conference. Those attendees include Vancouver-based Telus, and encompass companies from all over the globe.

"We're the biggest network company in the world. If you combined the market caps for our closest seven competitors, it still wouldn't reach ours."