

INDUSTRY OVERVIEW

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The Group is principally engaged in the media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business. Set out below are the information of certain industries that the Group is primarily involved in.

RECRUITMENT

In Hong Kong, employers and job seekers alike have been relying on printed advertisements and recruitment agencies to recruit suitable staff or to seek employment. In recent years, recruitment websites have gained much popularity. The Directors believe that factors such as increasing demand for skilled labour and high employee turnover rate lead to increase in the employers' spending on recruitment advertising.

In the PRC, foreign and domestic enterprises have been relying on local recruitment agencies and recruitment advertising publications to recruit staff. Enterprises in the PRC also rely on career fairs or on-campus recruitment services to recruit skilled labour. Apart from these services, recruitment website is also a popular medium for job seekers to identify job opportunities.

There are various factors that employers may consider in choosing the medium for their recruitment advertisements. These factors include:

- extent of coverage;
- response rate; and
- job seeker database.

Employers prefer the most cost-effective way to place their recruitment advertisements. Currently, as the Directors are aware, it is popular for employers to advertise through printed media as it is considered an effective means to recruit staff. Printed media however have limited geographical coverage.

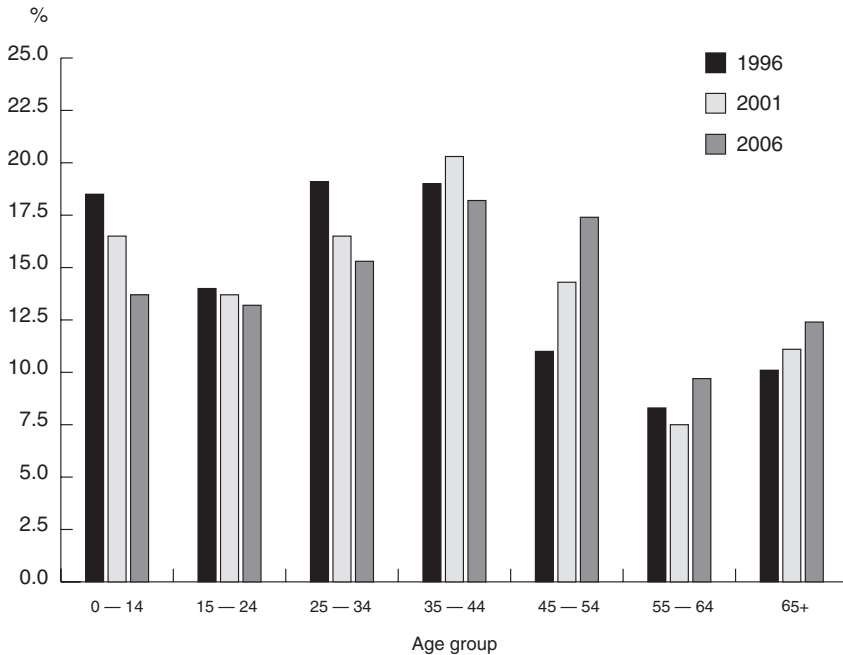
Despite the growing popularity of advertising through the Internet, the Directors believe that print media will remain popular for recruitment advertising. The recruitment advertisers are expected to continue to use the print media as well as the Internet for their recruitment advertising purpose. On this basis, advertising media operators such as the Group, that is capable of carrying advertising business through print media and the Internet are expected to have an advantage in recruitment advertising industry.

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Hong Kong

The Directors believe that there is a correlation between the economic cycle, unemployment rates, the recruitment needs and the development of the recruitment advertising industry. Hong Kong economy experienced a growth in gross domestic product of 4.7% in 2004, 7.1% in 2005 and 6.6% in 2006. The unemployment rates were approximately 6.8% in 2004, 5.6% in 2005 and 4.8% in 2006.

Population by age group



Source: 2006 population by Census Office, Census and Statistics Department

The above graph illustrates that, as of December 2006, approximately 64.1% of the population in Hong Kong were within the working age of between 15 and 54. On this basis, the Directors believe that the demand for career and recruitment related information will continue to increase and that the recruitment advertising industry in Hong Kong will continue to grow in the future.

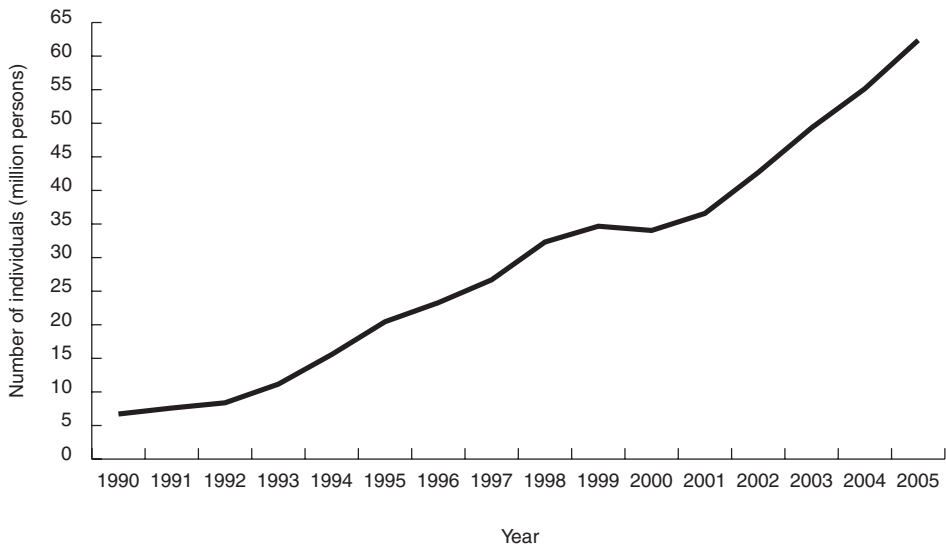
Different advertising media are currently used for different types of job vacancies. Print advertising is commonly used for all types of job vacancies, while recruitment advertisers for white-collar job vacancies usually place their recruitment advertisements on selected English and Chinese newspapers or rely on the services provided by specialised recruitment agencies. It is also common for newspapers to publish recruitment advertisement sections on a particular day such as Friday or Saturday. Recruit magazine is one of the publications distributed free of charge and dedicated principally to the recruitment advertising business in Hong Kong.

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The PRC

The PRC is experiencing growth in both gross domestic product and the domestic consumption. The amount of gross domestic product has grown by 9.5%, 9.9% and 10.7% in 2004, 2005 and for the first three quarters in 2006 respectively. Major domestic enterprises are continuously seeking skilled employees. In addition, the demand for local employees increases as more and more foreign companies set up offices in the PRC.

Number of employed persons in urban private enterprises and self-employed in the PRC

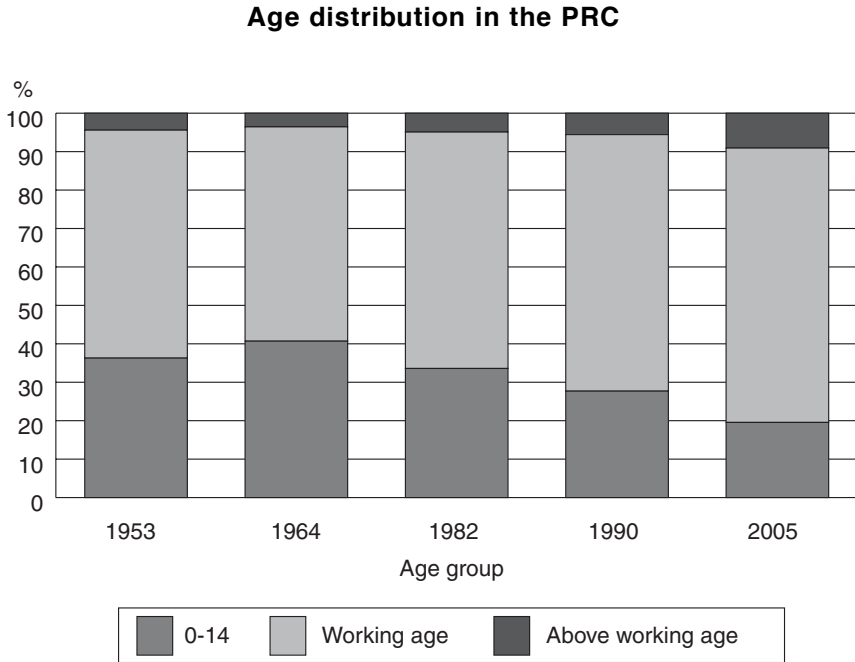


Source: China Statistical Yearbook 2006

According to the statistics published in the China Statistical Yearbook, the number of employed persons in urban private enterprises and self-employed persons grew from 6.7 million in 1990 to 62.4 million in 2005, representing a compound annual growth rate of approximately 16.0%. The Directors believe this has stimulated the growth of the recruitment advertising industry in the PRC.

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The following graph illustrates the age distribution in the PRC over the last five decades:



Source: China Statistical Yearbooks 1986-2006

In 2005, approximately 71.4% of the total population in the PRC were of working age whereas in 1990, approximately 66.7% of the population were within the same age group. This trend demonstrates that there was a demographical change in the population in the PRC. Coupled with the growth in the PRC gross domestic product, the increase in working population in the PRC is expected to stimulate the demand for job and career related information and is expected to accelerate the further development in recruitment advertising industry in the PRC.

Traditionally, foreign enterprises in the PRC recruit staff by placing recruitment advertisements in newspapers, or through referrals, campus recruiting and FESCO. FESCO was established to assist foreign enterprises in recruiting junior staff, but it has recently expanded the scope of its services to include the recruitment of staff or executive level. Generally foreign enterprises pay FESCO a monthly fee per employee recruited though FESCO, and FESCO is responsible for the local employees' benefits mandatory under state policies. Campus recruiting is common for those corporations which seek to recruit university graduates.

The recruitment advertising through print media is a fragmented market in the PRC. There are various newspapers in the PRC that have recruitment advertising sections.

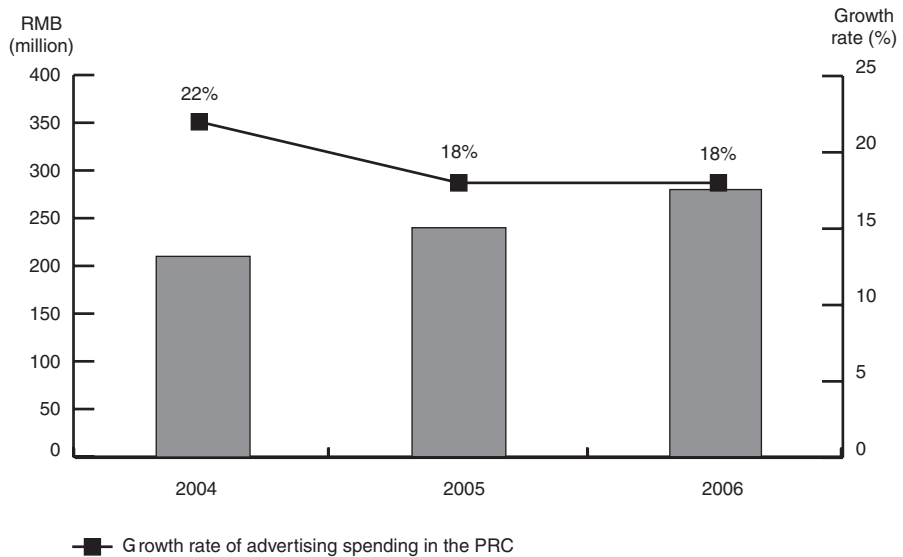
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MAGAZINE ADVERTISING INDUSTRY IN THE PRC

As of December 2005, the PRC had a population of approximately 1.3 billion and per capita gross domestic product of approximately RMB14,040. The advertising industry in the PRC can be categorised into different segments by the different media employed such as television, radio, newspaper, magazine and outdoor medium. Brand awareness has become increasingly important as the average Chinese household income increases.

Advertising spending in the PRC grew from approximately RMB170 billion in 2003 to RMB288 billion in 2006, representing a compound annual growth rate of approximately 19.2%. Set out in the chart below is the advertising spending in the PRC in the past three years:

Advertising spending in the PRC

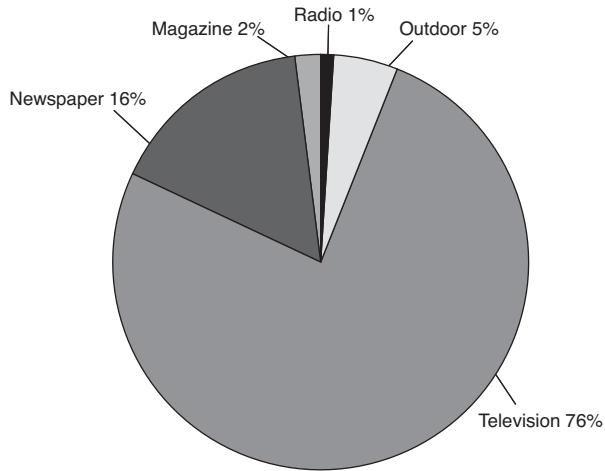


Source: CTR Media Intelligence

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Television advertising represented approximately 76% of the total advertising spending for 2006. Magazine advertising only represented 2% of the entire advertising market, but it had recorded strong growths of 18% and 10% for 2005 and 2006 respectively. Set out in the chart below is the breakdown of the advertising spending by media in the PRC in 2006:

Breakdown of advertising spending by media in the PRC in 2006

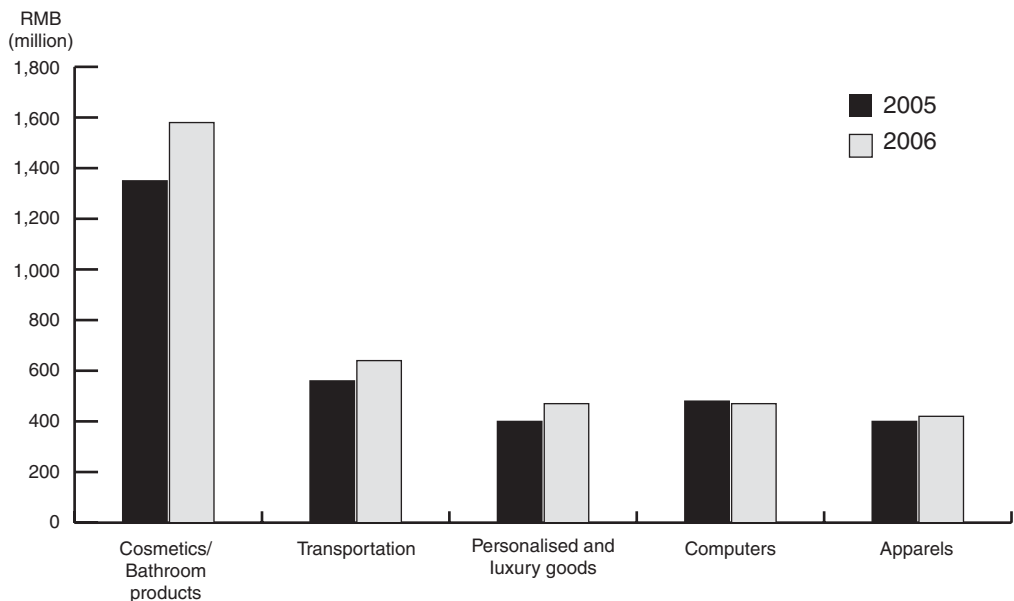


Source: CTR Media Intelligence

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In the PRC's magazine advertising market, the spending on advertising for personalised and luxury goods, including jewellery, watches and personal accessories, recorded a year-on-year growth of approximately 23% for 2006. The spending on advertising for cosmetics/bathroom products represent the largest share of the PRC's magazine advertising in 2006, followed by spendings on advertising for transportation, personalised and luxury goods, computers and apparels. Set out in the chart below is the breakdown of the advertising spending by the major advertisers in the PRC magazines market:

Breakdown of the advertising spending by the major advertisers in the PRC magazines market



Source: CTR Media Intelligence

Relevant advertising regulations in the PRC

The PRC Advertising Law was promulgated on 27th October, 1994, and is applied to all advertising activities conducted in the PRC by advertisement owners, advertising operators, and advertising issuers. The advertisement owners shall consign the duly licensed advertising operators and advertising issuers to conduct advertising business (i.e. to design, produce or issue the advertisement). The advertising operators shall conduct advertising operation registration before commencing advertising business. The content of the advertisement which requires approval shall be approved in compliance with relevant laws and regulations. Advertising operators and advertising issuers who are involved in fictitious advertisement, fail to obtain relevant approvals or ruled to be in breach of any clause of the PRC Advertising Law, will be subject to confiscation of the advertising income, fines up to five times of the advertising income, or be ordered to cease advertising business.

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The Advertising Administration Regulation was promulgated on 26th October, 1987. According to the Advertising Administration Regulation, the governing authority for the advertising business is the State Administration of Industry and Commerce and its branches (the “SAIC”). The advertising operators shall apply for relevant business license or advertising operation permit for conducting relevant business. The content of an advertisement to be published, broadcast, installed or posted shall be kept within the advertiser’s business scope or the scope permitted by the State, and must be true to facts, sound, clear and easy to understand and must not cheat users and consumers in any way. It generally stipulates that any violation of the Advertising Administration Regulation shall be confiscated the advertising fee, fined, ordered to cease advertising business, etc.

The Implemental Rules of the Advertising Administration Regulation (the “Implemental Rules”) was promulgated on 9th January, 1988, and amended on 30th November, 2004. The Implemental Rules has provided some detailed explanation on the Advertising Administration Regulation, especially on the legal responsibilities part. According to the Implemental Rules, any violation of the Advertising Administration Regulation and its Implemental Rules, including but not limited to fictitious advertisement, unfair competition or failure to obtain relevant advertising license shall be confiscated the advertising fee, fined up to RMB30,000, ordered to cease advertising business, etc.

PRINTING

The statistics from Hong Kong Trade Development Council show that printing is the largest manufacturing industry in Hong Kong in terms of the number of establishments, with a total of 4,262 manufacturing establishments hiring 37,063 workers as of September 2005. Most of the enterprises engaging in the printing business in Hong Kong are small and medium-sized companies employing less than 10 workers. The industry has undergone a decline since the mid-1990’s due to the relocation of manufacturing process to the PRC and the growth of the Internet and the consequent drop in newspaper and magazine sales.

	Manufacturing	Import-export trade
Number of establishments	4,262 (September 2005)	244 (December 2005)
Employees	37,063 (September 2005)	1,130 (December 2005)

Note: Industry statistics cover activities in Hong Kong only.

Source: Hong Kong Trade Development Council

Printers in Hong Kong produce a wide range of printed products, including books, booklets, brochures and leaflets, paper and paperboard labels, advertising materials, commercial catalogues, calendars, postcards and greeting cards. Some printers are specialised in the production of paper products which require specialised printing techniques, such as children’s novelty books with pop-ups and additional objects, cheque books, passports, bills and statements, securities and prospectuses.

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According to Hong Kong Trade Development Council, Hong Kong printers enjoy a reputation for quality, pricing and efficient service. As the Hong Kong printers are dedicated to fine quality and fast delivery, Hong Kong becomes a top printing and publication centre in the world, notwithstanding the increasing competition from mainland printers.

Performance of Hong Kong's exports of printed products

	2004		2005		2006	
	HK\$ million	Growth/ (Decline)	HK\$ million	Growth/ (Decline)	HK\$ million	Growth/ (Decline)
Domestic exports	3,344	(10)%	3,087	(8)%	2,823	(9)%
Re-exports	10,395	34%	12,350	19%	14,669	19%
Total Exports	13,739	20%	15,437	12%	17,492	10%

Source: Hong Kong Trade Development Council

By geographical locations	2004		2005		2006	
	Share %	Growth/ (Decline)	Share %	Growth/ (Decline)	Share %	Growth/ (Decline)
US	38.0	22%	37.0	9%	36.0	10%
European Union	20.3	30%	22.0	22%	22.5	16%
PRC	12.9	12%	12.7	10%	12.9	16%
Association of Southeast Asian Nations	7.6	16%	7.8	15%	7.6	11%
Australia	4.0	26%	4.0	14%	4.0	13%
Japan	4.0	10%	3.1	(13)%	3.4	24%
Taiwan	1.8	(2)%	1.9	18%	1.3	(25)%

Source: Hong Kong Trade Development Council

By categories	2004		2005		2006	
	Share %	Growth/ (Decline)	Share %	Growth/ (Decline)	Share %	Growth/ (Decline)
Miscellaneous books, brochures etc.	47.8	22%	46.3	9%	48.1	18%
Paper and paperboard labels of all kinds	21.7	21%	21.8	13%	22.3	16%
Children's picture, drawing or colouring books	8.8	17%	9.3	20%	8.2	(2)%
Printed or illustrated postcards, printed cards	8.5	32%	8.4	11%	7.3	(1)%
Transfers	1.5	12%	1.8	34%	2.5	56%
Other printed matters	2.8	68%	3.0	24%	2.5	(7)%

Source: Hong Kong Trade Development Council

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Sales Channels

An estimated 60–70% of the export business is attributable to orders received directly from overseas countries. Within this, about a quarter of them come from major international publishers in Hong Kong. Export orders are mainly handled by larger printers or dealers, who have established business relationships with overseas customers. In an effort to capture overseas business, large Hong Kong printing companies have established offices overseas.