
INDUSTRY OVERVIEW

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SOURCES OF INFORMATION

We have commissioned IPSOS Hong Kong Limited (“IPSOS”), an independent market research company, to analyse and report on, among others, the trends of the exhibition organising industry, in Hong Kong and globally at a fee of HK\$268,000 and our Directors consider that such fee reflects market rates. To provide an analysis of the aforementioned markets, IPSOS combined the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts of exhibition related players in Hong Kong. The information and statistics as set forth in this section have been extracted from the Industry Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, IPSOS becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. IPSOS conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. IPSOS is independent of our Company and none of our Directors or their associates has any interest in IPSOS.

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OVERVIEW OF THE GLOBAL EXHIBITION INDUSTRY

Introduction to the Types of Exhibitions

Our major exhibition, the Mega Shows is held in Hong Kong. The exhibition industry in Hong Kong is categorised into three types: (i) trade exhibitions; (ii) trade & consumer exhibitions; and (iii) consumer exhibitions.

- (a) **Trade exhibitions** are events that are organised for a specific industry to showcase new products or services. Businesses within the industry can participate in trade exhibitions either by renting a booth to promote their products and services to perspective buyers, or by making presentations at the event, depending on the specific event. This kind of exhibitions is usually restricted to traders only and the general public is excluded, i.e. they are Business-to-Business events (B2B). Attending trade exhibitions usually involves a cost, either to purchase an admissions ticket, or to set up and run a booth.
- (b) **Trade & consumer exhibitions** are similar to trade and convention events in a way that they are organised for a specific industry. These events are attended by both trade professionals and the public who are interested in purchasing or learning about the products and services exhibited.
- (c) **Consumer exhibitions** are events that are open to the general public. The entry price varies depending on the exhibition, and sometimes the public can enter for free. These events are also industry specific or topical, allowing the public to go and seek out specific items to purchase at the event. Unlike most trade exhibitions, products are usually sold to visitors directly at the stand, i.e. Business-to-Consumer (B2C) events.

Key Global Exhibition Markets

In 2011, according to the Union of International Fairs (UFI), Europe and North America, followed by Asia, offered the highest venue capacities, which contributed to about 48.0%, 24.0% and 20.0% of the world's total indoor exhibition respectively. In the same year, US, China, Germany, Italy and France together accounted for about 50% of the total world indoor exhibition space.

Germany

Our Berlin Expo is held in Germany, home to four of the world's six largest venues. The exhibition industry in Germany has strong support from its public sector with German cities and state governments owning the fair companies located in each metropolis. The country hosted some of the world's leading events such as the CeBIT, which is held in Hanover in March every year. The world's largest International Motor Show, the Internationale Automobil-Austellung (IAA), is also held in Hanover, every even numbered years, and Frankfurt, every odd numbered years. Other popular trade exhibitions include the Internationale Tourismus-Börse (ITB), the world's largest travel trade exhibition which is held in Berlin in March each year; the MEDICA trade show, which is held in Düsseldorf and attracted over 4,000 exhibitors each year. The city's capital, Berlin, is home to two venues, Berlin ExpoCenter City and Berlin ExpoCenter Airport, both of which made a big impact in 2012. The recovering economy of Germany and the high quality of trade exhibitions are the key factors that sustained the strong development of its exhibition industry. In 2011, around 160,000 exhibitors attended 134 international trade exhibitions in Germany. The Association of the German Trade Fair Industry (AUMA) is optimistic about the exhibition industry's prospects in 2013, with over 140 national and international trade exhibitions being scheduled, and around 165,000 exhibitors are expected to attend these trade exhibitions in 2013.

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US

Another of our exhibitions, the Vegas Expo, is held in Las Vegas, US. In past decades, it became the norm for America's cities and regional governments to partake in events such as concerts and owning and running conventions and trade exhibitions. In at least 16 states, the US government has even gone to the extent of building a major convention facility. Las Vegas is a prominent convention and exhibition city, and has emerged strongly over the past 10 to 20 years. The exhibition business is shared among the three major facilities: the Las Vegas Convention Center, the Sands Convention Center and Mandalay Bay Convention Center. Although the global financial crisis has hit the city, the exhibition industry in US has survived it well. According to the Center for Exhibition Industry Research, in 2011, the exhibition industry in US grew by approximately 2.7%, which outperformed the country's GDP growth of about 1.7%.

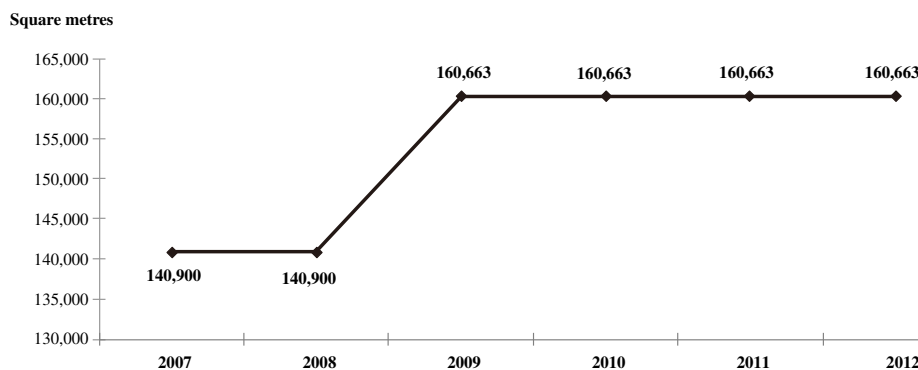
Emerging Trade and Exhibition Markets

Another of our exhibitions, the Singapore Asia Expo, is located in Singapore. According to the UFI, the net area sold by organisers in Asia reached a total of approximately 15.9 million square metres in 2011. Of that total, almost 55.0% was sold in China and 12.0% was sold in Japan. Growth was highest in Southeast Asia in 2011. Singapore and Malaysia were the fastest growing markets in 2011, up by approximately 15.0% and 14.0% respectively, while the exhibition market in the Philippines grew by approximately 8.8%. Vietnam was the only exception to this Southeast Asian trend, posting an estimated growth of just approximately 1.2%. The larger exhibition markets grew notably more slowly in 2011. Asia's largest market, China, grew by approximately 2.5%, while India posted an increase of approximately 3.3%. Two other large markets, Korea and Hong Kong grew by approximately 2.2% and 1.1% respectively. Our major exhibition, the Mega Shows, is held in Hong Kong in October each year.

HONG KONG EXHIBITION INDUSTRY

Hong Kong was the capital of trade exhibitions in Asia, and a leading international business meeting location. The main venues for Meeting, Incentives, Conferencing and Exhibitions ("MICE") events are the Hong Kong Convention and Exhibition Centre (HKCEC) in the main business district, the AsiaWorld-Expo (AWE) near the airport and the Kowloon Bay International Trade and Exhibition Centre (KITEC). The current size of HKCEC is over 88,000 square metres and AWE offers a total of more than 70,000 square metres of exhibition space.

The Trade Exhibition Venue Capacity in Hong Kong



Note: Data includes space that is available for exhibition use. This includes the purposely-built exhibition space and all other areas that were converted into exhibition areas.

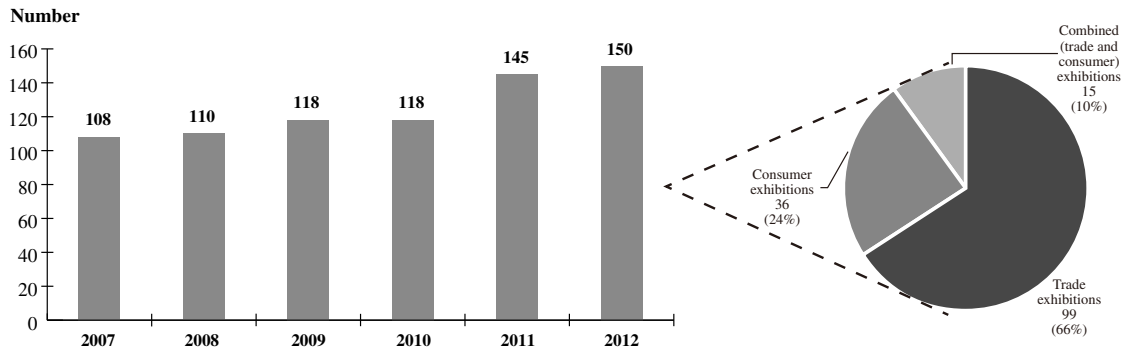
Sources: HKCEC, AWE, BMT Asia Pacific, Industry Report

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Current Situation of the Exhibition Industry in Hong Kong

In 2012, both of Hong Kong's main venues, HKCEC and AWE were listed in the top three "Best Convention and Exhibition Centre" in the CEI Asia Industry Awards 2012.

The number of exhibitions held in Hong Kong



Sources: HKECIA, IPSOS analysis

Sources: HKECIA, HKCEC, KITEC, AWE, HKTDC, Industry Report

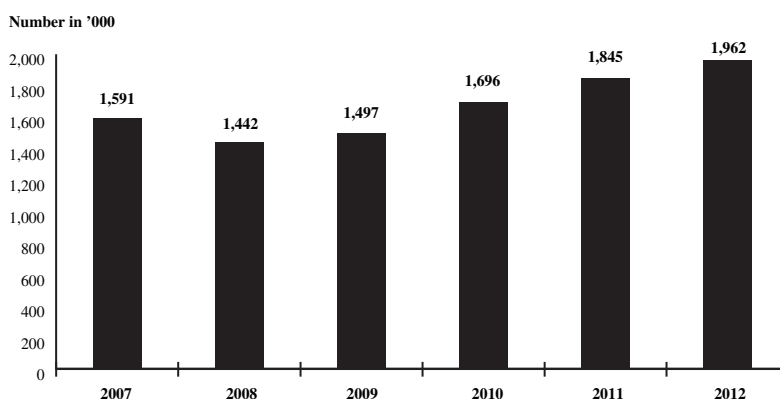
The number of exhibitions held in Hong Kong grew at a CAGR of approximately 6.8% from 2007 to 2012. The rise in the number of foreign businesses sourcing products from China and other Asian countries have contributed to the strong growth for the exhibition industry in Hong Kong in recent years. In addition, foreign businesses have increased their participation in exhibitions held in Hong Kong in order to penetrate the growing markets in China and other Asian countries. This trend is expected to continue as financial uncertainties in developed economies, such as Europe and the US, have forced businesses to explore new markets, especially Asia, where the developing economies are still growing. In 2011, Hong Kong hosted five of the world's largest trade exhibitions and seven of Asia's largest trade exhibitions by number of exhibitors.

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Visitors of Trade Exhibitions in Hong Kong

The number of visitors to trade exhibitions held in Hong Kong grew from approximately 1,591,000 in 2007 to about 1,962,000 in 2012, at a CAGR of about 3.8%.

The Number of Visitors to Trade Exhibitions in Hong Kong

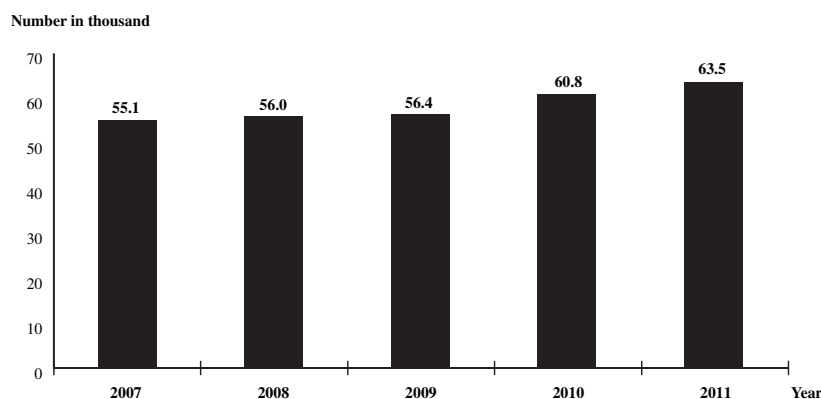


Note: Number of visitors include trade visitors from Hong Kong and visitors from outside Hong Kong

Sources: HKECIA and IPSOS analysis

The total number of trade visitors from China and Asia Pacific also continued to rise in 2011, by approximately 13.3% and 10.0% respectively. Boosted by increase in visitors participated in various conventions and exhibitions held in Hong Kong in 2010 and 2011, such as the Asian Financial Forum, HKTDC Hong Kong Electronics Fair, The China Sourcing Fairs, and the Asian Aerospace International Expo and Congress, according to the HKTDC, the number of overnight MICE travellers to Hong Kong reached about 1,430,000 and 1,563,000 in 2010 and 2011 respectively, which accounted for approximately 24.3% and 24.7% of the total number of business travellers in Hong Kong in 2010 and 2011 respectively.

The Number of Exhibitors Participating Trade Exhibitions in Hong Kong



Notes: Number of exhibitors includes all local, regional and international exhibitors who have attended exhibitions held in Hong Kong.

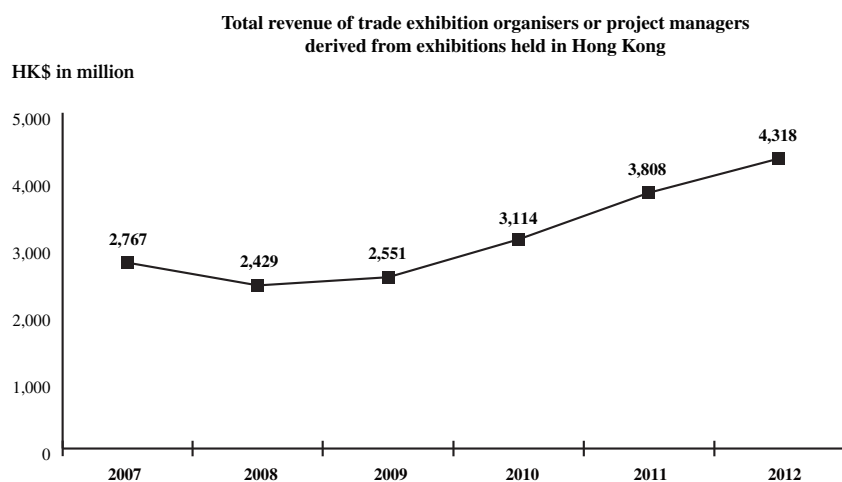
Sources: HKECIA, IPSOS analysis

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The total number of exhibitors participating in trade exhibitions in Hong Kong grew from 2007 to 2012, at a CAGR of approximately 2.9%. The increase in the number of international exhibitors were the key driver of such growth, with an increase by approximately 18.0% from 2010 to 2011. Many international exhibitors sought Hong Kong as the gateway to enter the greater business market of China.

Total revenue of trade exhibition organisers or project managers derived from exhibitions held in Hong Kong

The CAGR of the total revenue of trade exhibition organisers or project managers derived from exhibitions held in Hong Kong from 2007 to 2012 is approximately 9.3%.



Source: *IPSOS interviews and analysis*

Revenue slumped in 2008 as a result of the global financial crisis which led to a decline in visitors and expenditures. However, the market picked up quickly in 2009 amid a time of economic turmoil, and exhibitors were taking large booth areas than before with resumed consumer confidence. This reinforced Hong Kong's role as a stable, reliable business platform and networking base for buyers and sellers from around the world.

COMPETITIVE LANDSCAPE AND ANALYSIS OF TRADE EXHIBITION INDUSTRY IN HONG KONG

Competitive Situation of Trade Exhibition and Organising Industry in Hong Kong

Key market competitors

In 2012, there were about 52 trade exhibition organisers. Historically, HKTDC has always been the market leader in terms of number of events organised and the gross exhibition space sold. The number of trade exhibition organisers was only about 11 in 2005, but the opening of the AWE in 2006 introduced new competitions to the trade exhibition industry. The total number of organisers increased to about 52 in 2011. The addition of one more major and independent exhibition venue also helped the promotion of Hong Kong as a regional exhibition capital, and contributed to an influx of overseas organisers. Currently, key trade exhibition organisers in Hong Kong include HKTDC, UBM Asia Ltd., Global Sources and our Group according to the Industry Report.

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In general, large trade exhibition organisers organise a wide variety of exhibitions whereas smaller organisers tend to specialise in organising similar exhibitions in different locations. Apart from activities organised in Hong Kong, trade exhibition organisers in Hong Kong are also active in arranging their exhibitors to exhibit overseas. While China is a priority, organisers are also actively looking for locations to organise their trade exhibitions. Locations include not only those in developed markets, but also developing markets like the Middle East and Eastern Europe.

Top 5 Trade Exhibition Organisers or Project Manager of Exhibitions held in Hong Kong

According to the Industry Report, the top 5 trade exhibition organisers or project managers of exhibitions held in Hong Kong in 2012 were:

Rank	Name of company	Headquarter location	Revenue in 2012 (HK\$ million) <i>(Note 1)</i>	Share of total revenue (%)	Number of employees in 2012 <i>(Note 2)</i>	Number of exhibitions held in Hong Kong in 2012	Types of exhibitions held
1	HKTDC*	Hong Kong	1,664	38.5%	1,000	28	Trade, Consumer
2	Global Sources	Hong Kong	550	12.8%	3,000	30	Trade
3	UBM Asia Ltd	London	475	11.0%	1,100	8	Trade
4	Messe Frankfurt (HK) Ltd*	Germany	255	5.9%	1,700	4	Trade, Trade and Consumer, Consumer
5	Mega Expo Holdings Limited	Hong Kong	214	5.0%	124	2	Trade
Others			1,159	26.8%		42	
Total			<u>4,317</u>	<u>100.0%</u>		<u>114</u>	

Notes:

(1) Revenues of the organisers include Hong Kong only and represent the calendar year from January to December.

(2) *Annual reports have not been released and figures are estimated by IPSOS.

Sources: IPSOS interviews and analysis

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Top 5 Trade Exhibitions held in Hong Kong in 2012 (Note 1)

Rank	Name of exhibitions	Venue held	Exhibitor recruitment capability (in terms of number of exhibitors)	Tenancy size (Square metres)	Exhibition duration (days)	Exhibition period (month)	Frequency of tenancy (per year) <i>(Note 2)</i>	Number of visitors	Exhibition organisers	Theme of exhibition
1	HKTDC Hong Kong Gifts & Premium Fair 2012	HKCEC	4,112	77,245	4	April	1	47,050	HKTDC	Gifts and premiums, like figurines & decorations, outdoor & travel goods, photo frames, stationery & paper, tech gifts, and party & festive items
2	Mega Show Part I 2012	HKCEC	3,539	85,464	4	October	2	43,450	Mega Expo Holdings Limited	Gift, house wares, premiums and toys
3	September Hong Kong Jewellery & Gem Fair 2012	HKCEC & AWE	3,526	130,000	7	October	2	51,977	UBM Asia Limited	Jewellery raw materials, including loose diamonds, gemstones, pearls, and packaging, tools & equipment
4	HKTDC Hong Kong Electronics Fair 2012 (Autumn Edition)	HKCEC	3,322	79,910	3	October	2	64,478	HKTDC	All kinds of electronics products and services such as audio-visual products, navigation systems, telecommunications products and testing, inspection & certification services
5	HKTDC Hong Kong International Lighting Fair (Autumn Edition) 2012	HKCEC	2,279	69,290	4	October	2	36,194	HKTDC	Advertising lighting, commercial lighting, household lighting, LED & green lighting, lighting accessories, parts & components

Notes:

1. *Top 5 trade exhibitions or Mega Shows ranked by number of exhibitors in Hong Kong in 2012 (in terms of number of exhibitors)*
2. *Different parts or editions of an exhibition under the same name are counted as separate exhibitions*

Sources: HKTDC, UBM Asia Limited, IPSOS analysis

During peak seasons such as April and October, both the AWE and HKCEC are fully occupied. Since the Mega Shows are held in October in every year, the major competing exhibitions are China Sourcing Fairs held by Global Sources and Hong Kong Electronic Fair (Autumn Edition) held by HKTDC. Among these exhibitions in 2012, Mega Expo had the highest number of visitors and exhibitor recruitment capability in term of number of participating exhibitors.

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Major recurring exhibitions held in October 2012

Name of exhibitions	Venue held	Exhibitor recruitment capability (in terms of Number of exhibitors)	Exhibition duration (days)	Number of visitors	Exhibition organisers/ project manager
Mega Show Part I 2012	HKCEC	3,539	4	43,450	Mega Expo Holdings Limited
HKTDC Hong Kong International Lighting Fair (Autumn Edition) 2012	HKCEC	2,279	4	36,194	HKTDC
China Sourcing Fair: Security Products and Korea Sourcing Fair: Electronics & Components	AWE	2,040	4	36,195	Global Sources
China Sourcing Fair: Solar & Energy Saving Products, Christmas & Seasonal Products, Gifts & Premiums, Home Products, Medical & Health Products and Baby & Children's Products	AWE	1,260	4	15,566	Global Sources
China Sourcing Fair: Fashion & Accessories, Garments & Textiles and Underwear & Swimwear and India Sourcing Fair: Garments & Textiles	AWE	1,250	4	9,510	Global Sources

Source: HKTDC, HKCEC, AWE, UBM Asia Limited

Entry Barriers of Trade Exhibition industry in Hong Kong

Market domination and high operation cost set barriers for new entrants into the trade exhibition industry in Hong Kong.

Market domination by a few organisers

The trade exhibition industry is dominated by a small number of organisers, predominantly being HKTDC. This raises difficulties of entrance by new players as the main exhibition venues in Hong Kong are usually blocked by the calendar of events held by these organisers. The difficulties of breaking into Hong Kong as a private organiser are due to calendar of events being largely dominated by a public organiser and leading players.

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High operation cost

Operation costs including rental and wages are relatively high in Hong Kong compared with neighbouring destinations such as China and Macau. This is a key concern for exhibition organisers, especially smaller ones. In Hong Kong, the cost concern could be diminished by hosting large scale exhibitions which generate larger revenue. However, new entrants with weak reputation will face challenges to compete for exhibition space as well as attracting exhibitors for large scale exhibitions.

Threats to the Trade Exhibition Industry in Hong Kong

Increase competitions among exhibition organisers

The trade exhibition industry has been growing at a steady pace in Hong Kong. Because of the importance of exhibition industry to a country's successful image, many governments and private organisations have been working progressively on to improve their exhibition industries, such as expanding their exhibition space. In 2011, the US, China, Germany, Italy and France were the top five countries who saw the largest increase in exhibition space available, of which the five countries together accounted for approximately 59% of the total indoor exhibition space worldwide. As more exhibition space becomes available, new or newly-expanded venues will aggressively try to attract more exhibition organisers. This will further increase the competition of the exhibition industry worldwide. With limited venues in Hong Kong, space remains highly sought after and increasing competitions will be seen among organisers who try to compete amongst each other when booking exhibition space. Hong Kong will need to increase the amount of exhibition space available in order to remain competitive in the global exhibition market.

Rapid growth of the exhibition industry in China and increase competition with regional competitors

In China, the total amount of exhibition space rented increased by approximately 6.0% from 2008 up to 2010, while other countries around the world did not see the same growth due to the financial crisis. Beijing and Shanghai, in China, are the top two cities for hosting large trade exhibitions. The largest venue, the Guangdong Modern International Exhibition Centre (GDE), which is located in Houjie Town in Dongguan City, Guangdong, the PRC, is growing in popularity. The GDE and the AWE will be competing for trade events, exhibitors as well as trade visitors. The latest master plan in Singapore specified goals that are similar to Hong Kong's self image as a business destination, while in Singapore the conventions and exhibitions industries are to be prioritised. For instance, the "integrated resort" which offers 100,000 square metres of exhibition space and 3,000 rooms, as well as entertainment facilities to business travellers has caused major pressure on the Hong Kong exhibition industry.

Hong Kong faces increasing competitions with its neighbouring countries, such as Singapore and Macau, which have invested enormous sum of money and capitals into the trade exhibition industry. Singapore shares many similar circumstances with Hong Kong in its endowment of business traveller resources, and its strengths and weaknesses.

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Upon the establishment of the major casino resort projects in 2010s, Macau has its supply-side advantages over Hong Kong in terms of hotel rooms and convention and exhibition venues. Macau, as an immediate neighbour and a likely candidate to offer the same level of services, could potentially divert some of these trade exhibitions from Hong Kong.

FUTURE PROSPECT

Closer Economic Partnership between Hong Kong and China

Regional cooperation with venues in South China such as Guangzhou may help attract additional visitors, especially for those who are destined to visit manufacturers in the Pearl River Delta region. In particular, the Closer Economic Partnership Arrangement (CEPA), signed between Hong Kong and China, allowed Hong Kong convention and exhibition service suppliers to provide, in the form of wholly-owned operations, convention services and exhibition services in China from 1 January 2004.

Government support to the industry

In order to support Hong Kong's economy, the Hong Kong government imposed funding schemes to aid the exhibition sector. Since 2008, the Hong Kong government's Trade and Industry Department has set up the SME Development Fund (SDF). SMEs can participate in more exhibitions through the financial assistance under the SDF.

In addition to the SDF, the SME Export Marketing Fund (EMF) also had a big impact on the exhibition industry in Hong Kong. The EMF provides grants for SMEs to participate in trade fairs and exhibitions outside of Hong Kong, as well as trade fairs and exhibitions held in Hong Kong that are related to exports, such as trade-only events or events which target both overseas and local trade buyers.

Opening up of China market

The opening of outbound travel from China offers tremendous opportunity for tourism hubs worldwide, including Hong Kong. China's emergence as a world economic power also means that international business activities will undergo substantial growth in the future, and multinational firms that have previously been unable to set foot in China are now increasingly growing their business there. Hong Kong's role as the business gateway to China could be out beaten by other major cities which may pose threats to the city's trade exhibition industry.

Increase in international exhibitors

Businesses from around the world are increasingly looking to use Hong Kong's exhibition platform to introduce their products to the growing markets in China and the greater Asia Pacific region. This is expected to continue in the next few years and will provide the city with ongoing exhibition growth opportunities.