

## INDUSTRY OVERVIEW

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### EXHIBITION INDUSTRY IN HONG KONG

#### Introduction

According to the TDC, Hong Kong was the world's 9th largest trading economy (the 6th largest if the European Union countries are regarded as one entity) in 2000. About half of the world's population lives in areas lying within five hours' flight from Hong Kong. Bangkok, Beijing, Seoul, Shanghai, Taipei, Singapore and Tokyo can be reached in less than four-and-a-half hours by air from Hong Kong. With more than 100,000 trading companies and as one of the world's busiest container ports and international air cargo operations, Hong Kong is one of the world's top trading centres. The Hong Kong society is the end product of convergence between the East and the West. More than one-third of the multinational firms active in the Asia Pacific region have chosen Hong Kong as their regional headquarters. According to the TDC, Hong Kong is considered by the Western world as the gateway to the mainland China and is an ideal place to host exhibitions which is accessible to buyers and suppliers from both the PRC and foreign countries.

According to the TDC, Hong Kong's success as an exhibition centre is attributable to a unique package of competitive advantages such as flexible, efficient and world-class business structures, sensitivity to internal and external market forces and provision of excellent value for money. Both exhibitors and buyers can have easy access to their key target groups and fast turnaround times on their transactions. The territory's popularity for hosting international conferences and trade fairs also contributes to its share of business visitors. Each year, more than 300 international conventions and exhibitions are held in the territory. Buyers from over 100 countries participate in Hong Kong's trade fairs. Many leading international trade fair organisers and service companies are represented locally and provide a complete range of services including planning, design, logistics, marketing, construction and office support.

#### Major exhibition venues in Hong Kong

More than 50 venues of different scales are available in Hong Kong catering for various requirements of exhibitions and conventions. The three major venues for holding exhibitions in Hong Kong are HKCEC, HKEC and HKITEC, all of which are conveniently accessible. According to the TDC, Hong Kong's showpiece venue is HKCEC. It is located in Wan Chai and can be easily reached from most major hotels. It was first open in late 1988 with a total of 25,500 sq.m. of exhibition and convention space. This first multi-purpose built venue in Hong Kong gave an immediate boost to the exhibition industry. An extension to HKCEC was completed in 1997 at a cost of HK\$4.8 billion. HKCEC now offers a total space of around 64,000 sq.m. making it the second largest provider of exhibition and convention space in Asia. Its convention facilities include

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5 exhibition halls, 2 convention halls providing 6,100 seats, 2 theatres providing 1,000 seats and 52 meeting rooms. It offers a capacity of 140,000 visitors per day and a total available rental space of 63,580 sq.m.. As one of the largest exhibition and convention facilities in Asia, HKCEC hosted a total of 2,229 events in its fiscal year 2000/01. It is one of the most technologically advanced exhibition centres in the world, something that has been recognised by the array of international awards the HKCEC has attracted, including the following:

- Voted “Best Overseas Centre, Meetings Category” for the eighth consecutive year in the 2001 Meetings and Incentive Travel Industry Award, by the readers of a leading UK trade magazine named “Meetings & Incentive Travel”;
- Voted “Best Convention and Exhibition Centre” for the second consecutive year by “Incentive & Meetings Asia” in the IMA Asia Pacific MICE Awards 2000;
- Voted “Best Convention and Exhibition Centre” by travel professionals world-wide in the 1998 Travel Awards, organised by Miller Freeman Pte Ltd.;
- Voted one of the “World’s Ten Best International Convention and Exhibition Centres” for the second consecutive year in Global Achievement Award 1999, by USA readers of “Beyond Borders Magazine”; and
- Voted “Best Convention Centre” in the 1999 M&C Gold Awards by “Meetings & Conventions Asia/Pacific”.

### **Industry features**

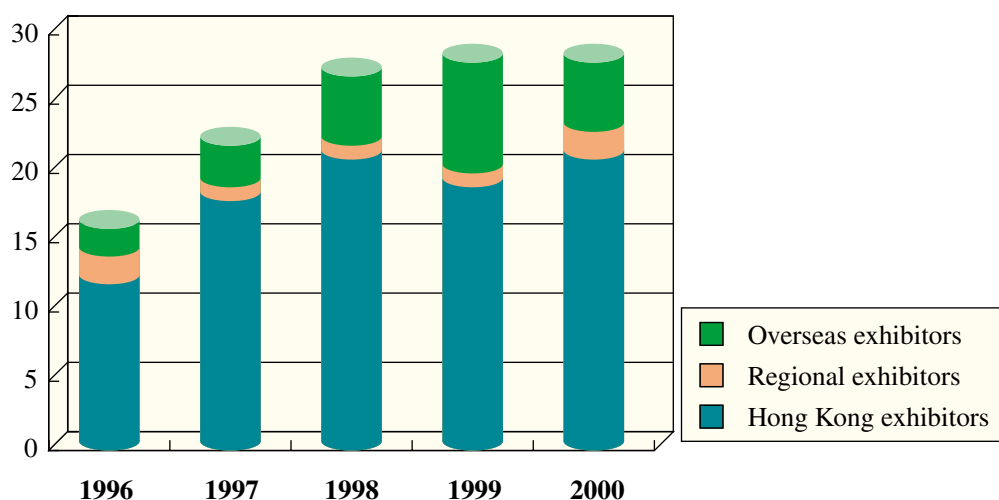
HKECOSA started out as the “Hong Kong Exhibition Organisers Association” which was founded in May 1990 by ten major exhibition organisers to provide exhibition industry members with a unified voice in negotiations with the government and government-related organisations and to work towards the general betterment of the business interests of its members. In 1992, it was given its present name with a new role of bringing together companies representing the rapidly expanding exhibition and convention industry. In the past five years, HKECOSA has experienced a growth in membership. In November 2001, HKECOSA had 37 full members, 13 associate members and 1 overseas member and more than 90% of key market players were members. In the twelve months ended May 2001, its membership grew by approximately 42%.

According to the HKECOSA, Hong Kong has become the leading venue for international trade fairs in Asia Pacific and it currently ranks as a global marketplace comparable to traditional centres in Europe and North America. According to the chairman of the association, the territory has established a global foothold in several key products including toys, gifts, jewellery and watches.

The exhibition industry in Hong Kong has experienced a healthy growth in recent years. According to the HKECOSA, the number of trade fairs exhibitors has a growth of 43%, supported by more than 35% increase in buyers from China. According to an annual exhibition industry survey 1996-2000 conducted by HKECOSA, the number of exhibitors grew from 18,220 in 1996 to 26,000 in 2000, representing a growth of approximately 43%, over a span of 4 years. As illustrated by the graph below, the total number of exhibitors running exhibitions of over 2,000 sq.m. has experienced a significant growth of approximately 75% from 16 in 1996 to 28 in 2000.

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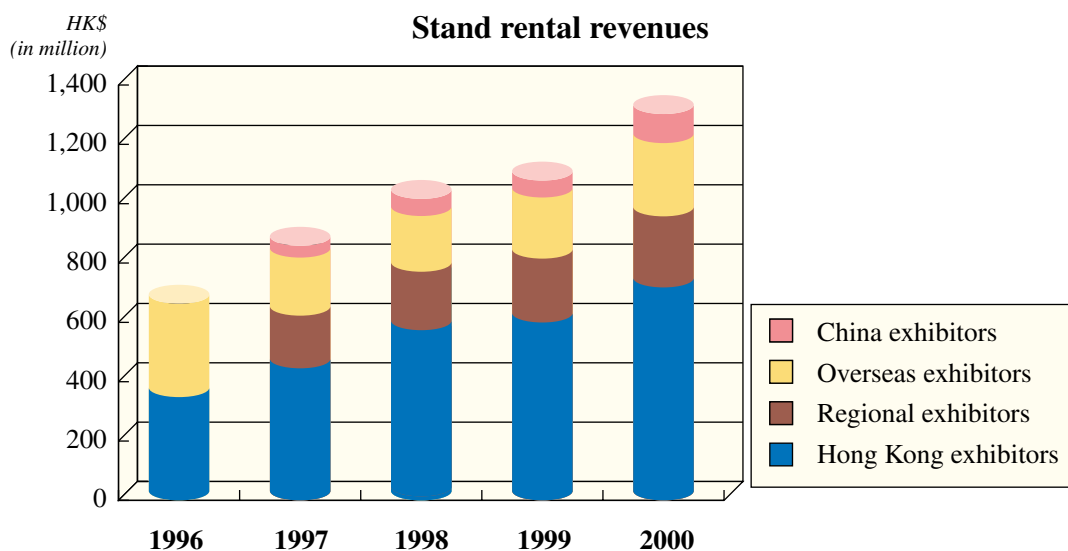
**Number of exhibitors running exhibitions over 2,000 sq.m.**



*Note: Regional is defined as any country outside Africa/US/Middle East/Europe*

*Source: HKECOSA exhibition survey 1996-2000*

Parallel to the simultaneous growth in the number of exhibitors, revenue generated from stand rental increased from HK\$663 million in 1996 to HK\$1,302 million in 2000, representing a growth of almost one hundred percent over a period of 4 years as illustrated by the graph below.

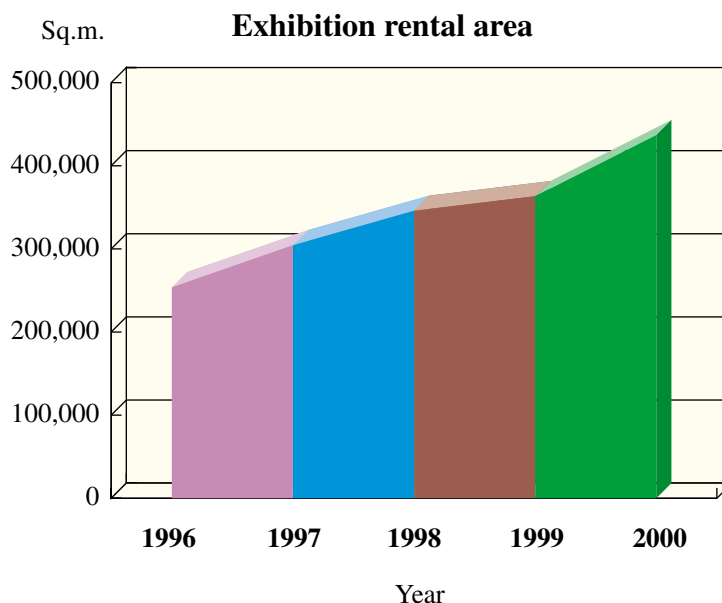


*Note: Regional is defined as any country outside Africa/US/Middle East/Europe*

*Source: HKECOSA exhibition survey 1996-2000*

The market size of the exhibition industry measured in terms of total exhibition rental area has experienced a significant growth of 72% from approximately 253,000 sq.m. in 1996 to approximately 437,000 sq.m. in 2000 as illustrated by the graph below.

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Source: HKECOSA exhibition survey 1996-2000

In 2000, Hong Kong hosted 60 exhibitions, 246 conventions and 418 corporate meetings. Over 251,000 overseas visitors were attracted to these exhibitions and over 61,000 foreign participants took part in these conventions and corporate meetings. The exhibitions and trade fairs industry makes substantial contributions to the economy of Hong Kong. According to an industry survey, this sector contributed approximately US\$192 million to the economy of Hong Kong in 1999. For each dollar spent on the exhibition industry, it is estimated that an additional four dollars were spent in the region, amounting to a total contribution of approximately US\$1 billion.

The following table shows key data on the exhibition industry in Hong Kong:

|                              | <b>Year 2000</b> |
|------------------------------|------------------|
| <b>Exhibitions</b>           |                  |
| Number of exhibitions        | 60               |
| Number of overseas visitors  | 251,612          |
| Per capita spending (US\$)   | 1,448            |
| Average stay (days)          | 5.5              |
| <b>Conventions</b>           |                  |
| Number of conventions        | 246              |
| Number of overseas visitors  | 30,055           |
| Per capita spending (US\$)   | 1,490            |
| Average stay (days)          | 4.7              |
| <b>Corporate meetings</b>    |                  |
| Number of corporate meetings | 418              |
| Number of overseas visitors  | 31,011           |

Source: The website "www.tdctrade.com"

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There was a healthy growth in overseas participation in the exhibition industry in Hong Kong from 1998 to 1999 as illustrated by the table below:

|   | 1998    | 1999    |
|---|---------|---------|
| Number of exhibitions with overseas participation | 57      | 60      |
| Number of overseas visitors at the exhibitions    | 174,815 | 211,344 |
| Number of conventions with overseas participation | 176     | 219     |
| Number of overseas visitors at the conventions    | 20,821  | 24,013  |

Source: The website "www.investhk.gov.hk"

### Trade fair organisers

There is a wide spectrum of service companies involved in the exhibition industry such as booth constructors, insurance companies and freight forwarders. The central role played by trade fair organisers in bringing together all these services makes them important industry service providers.

Some major international trade fair organisers have regional headquarters in Hong Kong for looking after events organised in Hong Kong, and increasingly the PRC as well. Generally, the major international organisers have a wide spectrum of shows while smaller organisers specialise in organising similar shows in different locations, enabling them to leverage more business from exhibitors and position themselves as experts in a particular field. Hong Kong-based exhibition organisers still derive the majority of their revenue from exhibitions organised in Hong Kong. However, some industry players are increasingly involved in organising overseas events and taking Hong Kong exhibitors to exhibitions in foreign countries, particularly the PRC market. It is expected that the PRC's accession to the WTO will lead to an increased flow of international trade and investment into China. One of the best ways to facilitate trade and investment activities in China is to explore opportunities through trade fairs and exhibitions in Hong Kong.

Trade fair organisers tend to provide a "one-stop-shop" solution by organising seminars, conferences and other side events as supplements to their exhibitions. The major function of these supplementary events is to provide channels for participants to have an exchange on recent industry developments and market information. Recent developments in electronic communication technologies are expected to influence the way in which exhibitions are held in the future. However, it seems that exhibitions in which face-to-face contacts take place are unlikely to become less popular in the foreseeable future. In addition, the themes of exhibitions are becoming more and more concentrated on a specialised product or sector, particularly for industrial products, as markets and distribution channels become more mature and differentiated.

### EXHIBITION INDUSTRY IN THE PRC

According to an unofficial estimate quoted in a PRC magazine named China Exhibition Convention Magazine (中國展會雜誌) published in November 2001, there were approximately 1,684 national exhibitions in the PRC in 2000, with more than 6 million number of visitors. Since the speeding up of the pace of reform along with the rapid growth of the PRC economy, the total number of exhibitions in Beijing, Shanghai and Guangzhou has experienced a significant average annual growth rate of approximately 27%. Parallel to this growth in the number of exhibitions, the exhibition rental area had an annual growth rate of 10%. From 1995 to 2000, PRC organisers had organised approximately 1,900 overseas exhibitions with an exhibition rental area of approximately 620,000 sq.m.

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As mentioned in an article published in a PRC magazine named China Exhibition Convention Magazine (中國展會雜誌) in November 2001, Shanghai is a major city with a strong development in exhibition business. As a finance, economic and trade centre, the exhibition industry, which is characterised by high-efficiency and non-pollution, will play an important role in the development of modern enterprise in Shanghai. Since the early 1990s, Shanghai has had an annual growth rate of approximately 20% in the number of exhibitions. In 1989, there were approximately 150 exhibitions held in Shanghai with an exhibition rental area of over 600,000 sq.m. The number of shows grew significantly in 2000 with over 180 exhibitions held in the four largest exhibition centres in Shanghai, namely (i) Shanghai International Convention Centre (上海國際會議中心), (ii) Shanghai International Exhibition Centre (上海國際展覽中心), (iii) Shanghai Mart (上海世貿商城), and (iv) Shanghai Everbright Convention & Exhibition Centre (上海光大會展中心). It is expected that the exhibition industry in Shanghai will reach another peak with the establishment of a new international exhibition venue – Shanghai New International Expo Centre (上海新國際博覽中心), which will further strengthen its present position with the largest exhibition area in the whole country.

Along with the rapid development of the exhibition industry itself, foreign trade in Shanghai has experienced extensive growth in both imports and exports. Following the PRC's policy of reform and opening to the outside world, especially since the beginning of the 1990s, Shanghai has reformed its foreign trade system, improved its export structure and opened up overseas markets. In 2000, the city's foreign trade volume amounted to approximately US\$57.41 billion, representing a year-on-year growth of 47%. Out of this total, exports grew to US\$25.324 billion, representing a growth rate of 35% over 1999. At the same time, the total value of imports and exports through Shanghai customs reached US\$109.311 billion, representing an increase of 43.5% over 1999. The following chart shows the total value of imports and exports of the city of Shanghai and the port of Shanghai between 1996 and 2000:

### **The total value of imports and exports of the city of Shanghai and the port of Shanghai between 1996 and 2000**

| Year | Trade through<br>Shanghai Port |         | Total of Shanghai<br>Foreign Trade |         |
|------|--------------------------------|---------|------------------------------------|---------|
|      | Imports                        | Exports | Imports                            | Exports |
|      | <i>US\$ billion</i>            |         | <i>US\$ billion</i>                |         |
| 1996 | 25.657                         | 27.213  | 9.025                              | 13.238  |
| 1997 | 25.230                         | 33.450  | 10.040                             | 14.724  |
| 1998 | 26.180                         | 37.458  | 9.718                              | 16.328  |
| 1999 | 31.863                         | 44.288  | 19.819                             | 18.785  |
| 2000 | 47.739                         | 61.572  | 29.356                             | 25.354  |

*Source: Shanghai Today, published by The Shanghai Municipal Foreign Economic Relations & Trade Commission in 2001*

As one of the supporting industry sectors for foreign trade, the growth rate of the exhibition industry in Shanghai is expected to accelerate as the foreign trade industry develops.

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### **EXHIBITION INDUSTRY IN THAILAND**

According to the Tourism Authority of Thailand (“TAT”), Thailand is a convenient location as it is situated in the heart of South East Asia and Bangkok International Airport is a regional hub served by more than eighty of the world’s airlines. Thailand is a gateway to Indochina, East Asia and the Pacific. With the scheduled opening of the new Bangkok airport in 2004, Thailand is getting ready to handle more international travellers. Given its strategic location within the Asia Pacific region combined with its geographical, social and cultural diversity, Thailand is likely to attract international travellers. Within easy reach of several of Asia Pacific’s most dynamic economies, it lends itself well to regional and international Meetings, Incentives, Conventions and Exhibitions (“MICE”) events.

According to a survey conducted by TAT’s International Convention Division, approximately 280,000 MICE travellers visited Thailand in 1999, generating approximately 16 billion baht foreign exchange revenue for the Thai economy. Thailand itself is also a promising growth market with a population of over 60 million. It has fully embraced industrialisation and with significant investment, notable progress has been made in terms of Thailand’s infrastructure.

According to the International Congress and Convention Association, Thailand is ranked among the world’s top international MICE venues and fourth in the Asia Pacific region. The facilities and services for serving conventions and exhibitions continue to expand in Thailand. There are currently six major convention centres in Thailand, namely Bangkok Convention Centre, Queen Sirikit National Convention Centre, Bangkok International Trade and Exhibition Centre (“BITEC”) and the IMPACT Exhibition Centre in Bangkok, the Pattaya Exhibition and Convention Hall in Chonburi province and Golden Jubilee Convention Hall in Khon Kaen province. Among them, BITEC is Thailand’s first technologically advanced and purpose-built centre for trade exhibition and convention and has 5 combinable event halls with an area of approximately 26,000 sq.ft., 3 combinable convention halls with an area of approximately 1,700 sq.ft., and 15 meeting rooms with an area of approximately 1,700 sq.ft.