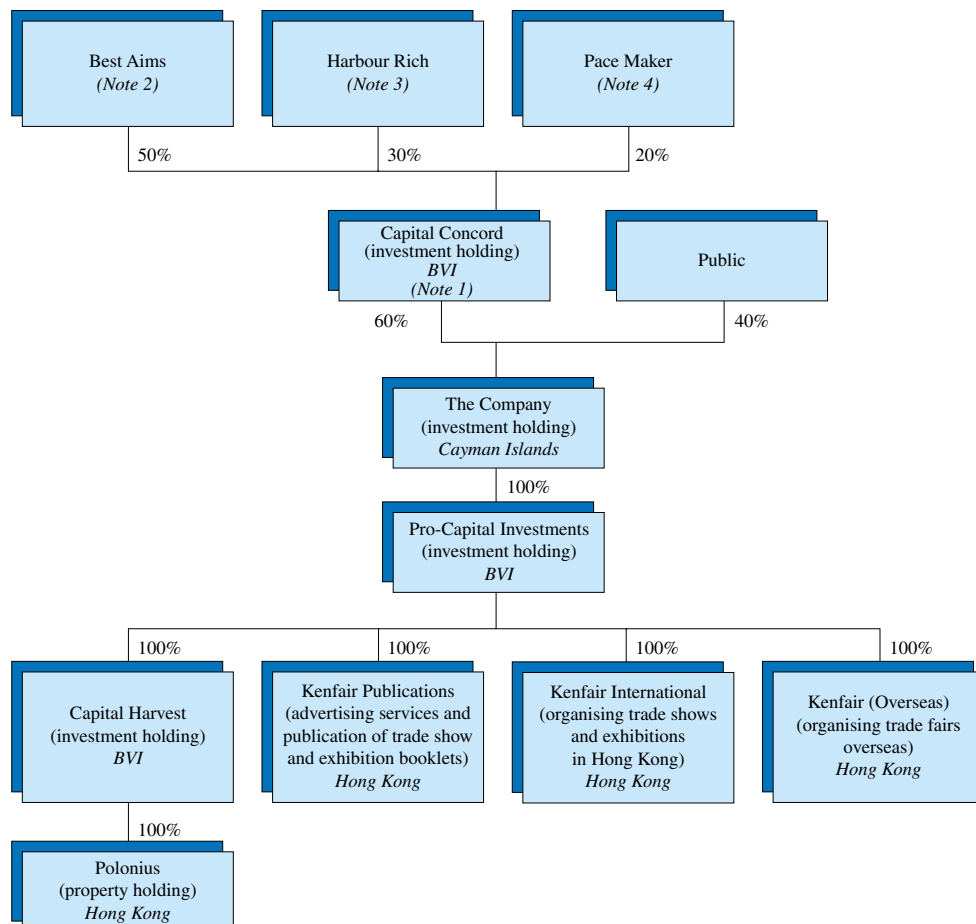


BUSINESS

GROUP STRUCTURE

The corporate structure and principal activities of the members of the Group upon the completion of the Share Offer and the Capitalisation Issue but before the exercise of the Over-allotment Option are as follows:



Notes:

1. The entire issued share capital of Capital Concord is beneficially owned as to 50% by Best Aims, 30% by Harbour Rich and 20% by Pace Maker respectively.
2. The entire issued share capital of Best Aims is beneficially owned by Mr. Ip.
3. The entire issued share capital of Harbour Rich is beneficially owned by Mr. Cheung.
4. The entire issued share capital of Pace Maker is beneficially owned by Mr. Chan.

HISTORY AND DEVELOPMENT

The Group's origins can be traced back to 1991 when Mr. Ip, the chairman of the Company, founded the Group. With the incorporation of Kenfair International in 1991, Mr. Ip commenced the Group's business of organising trade shows and exhibitions. In 1991, Mr. Chan and Mr. Cheung joined the Group and they became directors of Kenfair International in 1993. They, together with Mr. Ip, now manage the business of the Group.

BUSINESS

Kenfair International was incorporated on 1st October, 1991 and was formed to organise trade shows and exhibitions. Immediately before the Reorganisation, it was owned by Mr. Ip, Mr. Cheung and Mr. Chan as to 50%, 30% and 20% respectively. There has not been any change in the shareholdings in Kenfair International since its incorporation on 1st October, 1991. On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred the entire issued share capital of Kenfair International to Pro-Capital Investments. Following the Reorganisation, Kenfair International became an indirect wholly-owned subsidiary of the Company and is intended to operate principally as the Group's arm for organising trade shows and exhibitions in Hong Kong.

In 1991, Kenfair International began to organise the first Hong Kong International Toys & Gifts Show, which was held in October 1992. The show had over 190 exhibition booths. The first Asian Gifts Premium & Household Products Show was first held as a concurrent event together with the Hong Kong International Toys & Gifts Show in October 1993. The October Shows in that year comprised over 400 booths. The October Shows developed a reputation and attracted increasing numbers of exhibitors and visitors over the years. In 1998, the October Shows had about 1,500 exhibitors, over 2,200 booths and over 30,000 visitors. In 1999, the October Shows grew significantly in terms of the number of exhibitors, number of booths and number of visitors with a total of 2,300 exhibitors, approximately 3,000 booths and over 43,000 visitors. The October Shows in 2000 had over 2,700 exhibitors, over 3,900 booths and over 57,000 visitors.

The October Shows have become an established event attended by exhibitors and visitors from all over the world. The last October Shows were successfully held in October 2001 with over 2,900 exhibitors, over 4,100 booths and over 55,000 visitors. Both the numbers of exhibitors and visitors to the October Shows increased over the years from 1992 to 2000 despite the Asian economic turmoil in 1997 and 1998. This is an indication of the Group's standing in the exhibition industry. Although there was a slight reduction in the number of visitors attending the October Shows in 2001 compared to 2000, the Directors attribute the reduction in the number of visitors to the impact of the Terrorist Attacks, which took place about one month prior to the October Shows in 2001. Exhibitors of the October Shows are mainly manufacturers of gift and premium products, household products and toys. The October Shows have a high repeat ratio. Usually, about 70% of exhibitors in the October Shows will participate in the subsequent shows. The October Shows were the largest exhibitions held in the HKCEC in 2001. The Directors believe that the October Shows are one of the largest events of their kind in Hong Kong.

Kenfair Publications was incorporated on 8th September, 1992 and was formed to provide advertising-related services. Immediately before the Reorganisation, it was owned by Mr. Ip, Mr. Cheung and Mr. Chan as to 50%, 30% and 20% respectively. On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred the entire issued share capital of Kenfair Publications to Pro-Capital Investments. Following the Reorganisation, Kenfair Publications became an indirect wholly-owned subsidiary of the Company and is intended to operate principally as the Group's arm for advertising-related business.

Polonius was incorporated on 9th March, 1995 and was established as a property holding company which currently holds a property occupied by the Group for office use. Immediately before the Reorganisation, it was owned by Mr. Ip, Mr. Cheung and Mr. Chan as to 50%, 30% and 20% respectively. Capital Harvest, which was incorporated in the BVI as an investment holding company, does not have any active operation. On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred the entire issued share capital of Polonius to Capital Harvest. Following the Reorganisation, Polonius became an indirect wholly-owned subsidiary of the Company and is intended to operate principally as the Group's arm for property holding.

BUSINESS

With the success of the October Shows, the Group began to organise other exhibitions with different themes. In April 1998, Kenfair International organised the Asian Consumer Electronics Show '98 at the HKCEC. It also organised the Hong Kong Autumn Fair which was held in October 1995 and the Hong Kong Spring Fair which was held in April 1996. These shows were only organised for one year as the Group chose to allocate more resources to the October Shows.

Kenfair (Overseas) was incorporated on 6th August, 1998 and was set up to organise trade fairs overseas. Immediately before the Reorganisation, it was owned by Mr. Ip, Mr. Cheung and Mr. Chan as to 50%, 30% and 20% respectively. On 7th March, 2002, Mr. Ip, Mr. Cheung and Mr. Chan transferred the entire issued share capital of Kenfair (Overseas) to Pro-Capital Investments. Following the Reorganisation, Kenfair (Overseas) became an indirect wholly-owned subsidiary of the Company and is intended to operate principally as the Group's arm for organising trade fairs overseas. In 2000, the Group launched, through Kenfair (Overseas), the first 3-day Asia Expo in February 2001 in London, the UK. The Asia Expo is specially designed to cater for Asian manufacturers to meet international buyers, who are looking for Asian products. Exhibits of the Asia Expo cover a wide range of items including advertising premium items, Christmas decorations, consumer electronics, costume jewellery and fashion accessories, decorative/craft items, leather goods, stationery, toys, watches and clocks.

On 20th December, 2001, the Company was incorporated in the Cayman Islands and, in the Reorganisation, the Company became the holding company of the Group. Details of the Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix V to this prospectus.

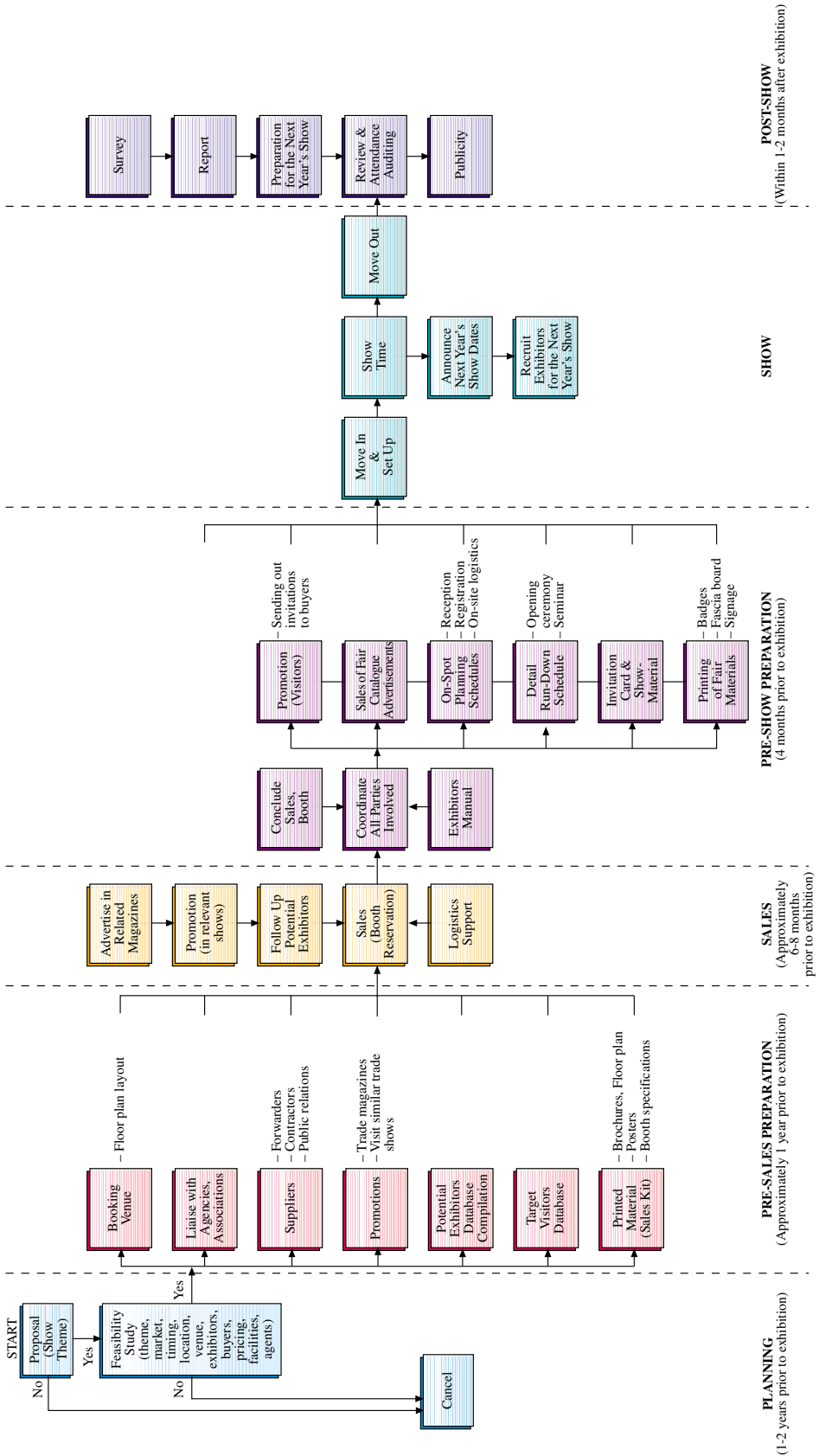
DESCRIPTION OF BUSINESS

The Group is principally engaged in the organisation of trade fairs, trade shows and related activities to promote and facilitate trades between international buyers and manufacturers, particularly Asian manufacturers. Every year, the Group organises the Asian Gifts Premium & Household Products Show, the first of which was held in October 1993, and the Hong Kong International Toys & Gifts Show, the first of which was held in October 1992. Since 1993, these two trade shows have been held concurrently at HKCEC in Hong Kong in October every year and are proposed to be held annually. The Group also organises the Asia Expo, which is proposed to be held annually in London, the UK. The first Asia Expo was held in February 2001 and the second in February 2002. In addition, the Group sells advertising spaces in the fair catalogues of the Hong Kong International Toys & Gifts Show and the Asian Gifts Premium & Household Products Show which are published by the Group. Participation fees are charged to exhibitors based on the size and the design of the exhibition booths they occupy. The Group provides customised booth design services to exhibitors and has its own customer service department to handle general enquiries from exhibitors and buyers. The Group also provides travel and accommodation arrangement services to exhibitors and buyers. Most visitors attending the shows are invited by the Group with free admission to the shows. Entrance fees are charged to those visitors who attend the shows without an invitation.

BUSINESS

EXHIBITION

The following chart sets out the work flow for a typical exhibition:



Planning

For any new show the Group proposes to organise, planning typically starts with the drafting of an exhibition proposal. After review of the initial proposal and show theme, a feasibility study is carried out. Various factors such as the theme, market, buyers, exhibitors, timing, location, pricing, facilities and venue are studied to determine whether the proposed exhibition is financially and commercially feasible. Since the October Shows have been organised for almost 10 consecutive years, the Group no longer needs to go through this process for these shows but instead it evaluates the October Shows each year to identify possible areas for improvement in the next October Shows.

Pre-sales preparation

Following the planning, pre-sale preparation begins. An important part of this stage is the booking of a suitable venue. Negotiation starts approximately one year in advance and contracts are entered into approximately six to eight months in advance. For the October Shows, the HKCEC has agreed to hold provisional dates and space for the Group during every October between 2002 and 2007. There is no commitment from the Group in return for HKCEC's holding these dates and space. The Group negotiates the terms with the HKCEC on a year-by-year basis. Following venue booking, negotiation for co-operation with sales agencies and trade associations begins. Promotional literature is also printed during this stage to promote the exhibition with a view to attracting more visitors. Liaison with parties such as forwarders, contractors and public relations companies then follows. Another process in this phase is the preparation of various printed materials such as brochures, floor plan, posters and reports, which are mainly designed by the in-house design team of the Group. The Group's sales staff will visit similar trade shows to give show information to potential exhibitors and gather information about potential visitors. The Group often sends questionnaires to potential buyers in order to obtain their comments and find out whether they intend to visit the proposed shows. Before sending out invitations to potential exhibitors, the Group updates the suppliers and buyers information collected from previous exhibitions and stored in its database. The Group then carries out a number of marketing activities, including advertising in relevant magazines, newspapers, airports and presentation, to promote the exhibition to potential exhibitors in the industry.

Sales

Once marketing has begun, the Group contacts and negotiates with potential exhibitors. The Group posts advertisements in relevant Hong Kong-published magazines such as *Household* and in UK-published magazines such as *Gifts Today*. The Group also carries out promotions in similar shows held in different parts of the world. For example, in 2001 the Group ran a booth at the Hong Kong Gifts & Premium Fair 2001, held by the TDC to promote the October Shows. When an exhibitor is committed to the exhibition, a contract is signed and a booth is reserved for it. The exhibitors are required to pay a 50% non-refundable deposit for booth reservation. The exhibitors are required to pay the balance of the rental for the booths approximately six months before the trade shows are held. Logistics support is then provided to the exhibitors. This logistics support includes assistance in hotel and travel arrangements and a deluxe booth package, which offers additional facilities for a lump-sum payment. Participation in the October Shows in 2001 was enthusiastic and there was a waiting list of 410 exhibitors wanting to join in those shows. This is a recognition that the October Shows are well-established and generally they require less sales efforts when compared with the Asia Expo. As for the Asia Expo, Earls Court and Olympia Limited, its venue provider in 2001 and 2002, agreed in the last two years to reserve the February dates for the Asia Expo during negotiations before the Group entered into an agreement. It has also agreed to reserve the venue for the Asia Expo in 2003.

BUSINESS

Pre-show preparation

About four months before the opening of the exhibition, final preparations commence. The first process to be carried out in this phase is the conclusion of sales activities and booth booking. Coordination between all parties involved must be maintained to ensure smooth opening of the exhibition. Coordination work requires preparation of the exhibitor's manual which contains useful information such as a detailed run-down of the exhibition, guidelines, regulations, points of contact and specifications of on-site facilities such as electricity supply. The Group then carries out more marketing activities to promote the exhibition to potential buyers and visitors. Sales staff will also start selling advertising space in the fair catalogue. The on-site planning schedules and detailed run-down schedule will be prepared including details of reception, registration, on-sites logistics, opening ceremony and buyers' lounge. With the final schedule on hand, exhibition guides for visitors to the exhibition are prepared by the in-house design team of the Group. The last process in this stage is to prepare show materials, for instance fascia boards of exhibitors' names to be placed at the entrance of each booth and badges to be worn by the organisers, exhibitors and visitors.

Shows

After the opening of the exhibition, the Group's main responsibility is to act as a coordinator and to make sure the exhibition runs smoothly. The Group is also responsible for running the registration counter where business cards of visitors are collected. Through the registration mechanism, the Group can update its buyers and visitors databases for future use. The dates for the next year's shows are announced during the show time and the Group will start seeking reservations for the next year's shows from the participating exhibitors. The October Shows are usually held for a period of four days. For exhibitions held in Hong Kong, the security service is provided by the venue supplier, HKCEC. For the Asia Expo, the security service is provided by the appointed agent, The Event and Exhibition Partnership Limited. After the exhibition, the Group has to ensure proper cleaning of the exhibition venue.

Besides the October Shows and the Asia Expo, the Group had held "one-off" events in Hong Kong including the Hong Kong Autumn Fair held in October 1995, the Hong Kong Spring Fair held in April 1996 and the Asian Consumer Electronics Show held in April 1998.

For the three years ended 31st March, 2001 and the seven months ended 31st October, 2001, the October Shows accounted for approximately 97%, 100%, 91% and 100% respectively of the Group's turnover.

	1999		Year ended 31st March,				Seven months ended	
	HK\$'000	%	2000		2001		31st October, 2001	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
October Shows	52,289	97	101,431	100	136,757	91	145,195	100
Asia Expos	-	-	-	-	13,576	9	-	-
Asian Consumer Electronics Show	1,660	3	-	-	-	-	-	-
	<u>53,949</u>	<u>100</u>	<u>101,431</u>	<u>100</u>	<u>150,333</u>	<u>100</u>	<u>145,195</u>	<u>100</u>

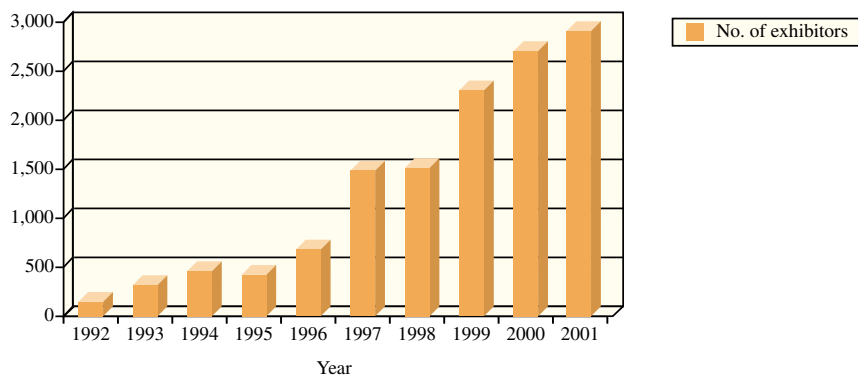
BUSINESS

As at the Latest Practicable Date, the exhibitions organised by the Group on an annual basis are listed below:

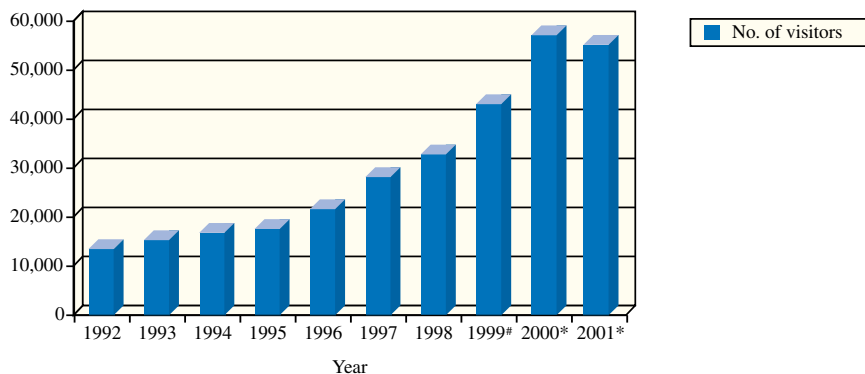
Month held	Name of exhibition	Location	Year of commencement
October	Hong Kong International Toys & Gifts Show	Hong Kong	1992
October	Asian Gifts Premium & Household Products Show	Hong Kong	1993
February	Asia Expo	London	2001

Name of exhibition	Year held	Number of exhibition booths (approximately)	Number of exhibitors (approximately)	Number of visitors (approximately)
October Shows	1999	3,000	2,300	43,000 [#]
October Shows	2000	3,900	2,700	57,000*
October Shows	2001	4,100	2,900	55,000*
Asia Expo	2001	500	500	6,600
Asia Expo	2002	650	600	10,000

Exhibitor Participation for the October Shows



Visitor Participation for the October Shows



* Attendance certified by Ernst & Young

[#] Attendance certified by ExhibitAudit Co.

The Asia Expo

In early 1999, an employee of the Group suggested the Group to organise an overseas trade show but the proposal was rejected as the Group intended to focus its resources on the October Shows. The employee however, obtained consent from the Group to develop the show in his own capacity in his own time. The employee was responsible in his personal capacity, and at his own risk, for organising the proposed overseas show which included conducting feasibility studies, booking of venue and liaison with potential exhibitors and buyers. Subsequently, in mid-1999, the Group decided to jointly organise and operate the overseas show, presently known as the Asia Expo, together with the employee as the feasibility studies conducted and the preparation work done by the employee showed that Asia Expo is financially and commercially feasible. In 1999, the Group decided to organise its first overseas trade show and established Kenfair (Overseas) to carry out this activity. The Group and the employee were originally entitled to 51% and 49% of the net profit generated from the Asia Expo respectively. In 2000, the Group launched the first Asia Expo which was held over a 3-day period in February 2001 in London. The Asia Expo is specially designed to cater for Asian manufacturers to meet international buyers who are looking for Asian products. Exhibits of the Asia Expo cover a wide range of items including advertising premium gifts, Christmas decorations, consumer electronics, decorative and craft items, leather goods, stationery, toys, watches and clocks. In July 2000, the Group considered it would be beneficial to solely organise the Asia Expo in view of the earnings potential. After negotiations with the employee, the employee, on 15th July, 2000 transferred and assigned his rights, privileges and interests in relation to the Asia Expo at a consideration of HK\$6,000,000 to the Group, a price based on the then earnings potential for eight years of the Asia Expo.

The first Asia Expo was successfully held at the Grand Hall, Olympia in London. About 500 exhibitors from Asia with about 500 booths and over 6,600 visitors attended the show. In view of the success and favorable responses from exhibitors and visitors, the Group decided to make the Asia Expo an annual event and the second Asia Expo was held at Olympia, London in February 2002 with approximately 600 exhibitors, over 650 booths and approximately 10,000 visitors. Turnover and loss generated by the first Asia Expo were approximately HK\$13.6 million and HK\$5 million respectively. According to unaudited management accounts, the second Asia Expo generated a turnover of approximately HK\$17 million and profit of approximately HK\$1 million.

Development of the PRC market

The Group plans to extend its existing business and develop new business. In June 2000, the Group set up a representative office in Shanghai, the PRC to liaise with the Group's existing customers in the PRC, to develop the China market and to explore the opportunity for organising trade fairs in the PRC. The progress for developing the PRC market will depend on whether and when the PRC government relieves existing restrictions on the exhibition industry.

The Shanghai representative office, which was set up in June 2000, has made significant inroads in exploring the potential client base in the PRC market. Since the establishment of the office, the Group has successfully promoted its shows among local manufacturers and several PRC manufacturers have participated in the October Shows and the Asia Expos.

Promotion and marketing

The Group undertakes a wide variety of promotion and marketing activities for its shows. These promotion and marketing activities include designing and printing of brochures, posters and banners in various sizes to arranging advertisements in major public transportation and leading newspapers and trade magazines such as the South China Morning Post and the Hong Kong Economic Times in Hong Kong, UK Toy News and Gifts Today in the UK.

BUSINESS

The Group also provides promotion and marketing services for its customers, including arrangement of advertisement in the fair catalogues and the Group's web-sites, the address of which is "www.kenfair.com". These services, just like the Group's exhibition business, are aimed at promoting the products of the Group's customers to their target buyers, generating public awareness of those products and offer another media to promote these products so as to achieve better promotional effects. During the three years ended 31st March, 2001, the majority of the customers of the Group's promotion and marketing services were also customers of the Group's exhibition business.

With a database of buyers, visitors and exhibitors in the industrial sector, which has been accumulated and regularly updated over a period of 10 years, the Group can conduct prolific direct-mailing marketing campaigns. The Group's database consists of approximately 220,000 buyers.

For the three years ended 31st March, 2001 and the seven months ended 31st October, 2001, the income generated from the provision of promotion and marketing services, including advertisements placed in catalogues and web-sites of the Group, amounted to approximately HK\$456,000, HK\$652,000, HK\$1,810,000 and HK\$3,119,000 respectively.

Trade shows which are broadly similar to the Group's October Shows are the Hong Kong Houseware Fair and the Hong Kong Gifts and Premium Fair, which were held concurrently by the TDC as the Hong Kong Gifts & Houseware Fair and the Premium Show at the HKCEC in April every year until 2001, when these two shows were held separately as a stand-alone fair. The Hong Kong Houseware Fair in 2001 was a four-day event which attracted approximately 26,000 visitors from approximately 130 countries and regions, with approximately 1,800 exhibitors from 36 countries and regions attended the show. Its exhibit categories included artificial flowers, furniture and hardware products. The Hong Kong Gifts and Premium Fair in 2001 attracted approximately 50,000 visitors from approximately 130 countries and regions and approximately 2,800 exhibitors. Its exhibit categories included advertising gifts and premiums, gift items and toys.

While there are similar trade shows held in Hong Kong, the Directors believe that the Group is in a strong competitive position. The October Shows have recorded growth in terms of both the number of exhibitors and visitors. The Group has organised the October Shows since 1993 and maintains a large proprietary database of exhibitors and buyers, who are mainly in the gifts, premium, toys and household product business. The Group's experience in organising trade shows and its ability to draw from such a large database enables the Group to market its services broadly. The October Shows were the largest shows held in the HKCEC in 2001. The success of the October Shows is an indication of the Group's good standing in the exhibition industry.

SALES AND MARKETING

The Group's sales and marketing activities are undertaken principally by the Group's sales and marketing team in Hong Kong. In addition, the Group has arrangements with agents in China, India, Taiwan and Thailand to promote the trade shows of the Group. Under these arrangements, the agents in those countries are required to provide agency services including, but not limited to, the following: (i) to identify and introduce exhibitors for the trade shows in their countries; (ii) to provide all marketing and promotion in their countries in respect of the trade shows; (iii) to follow up on all matters concerning the exhibitors including the collection of application forms, selection and confirmation of exhibition booths; and (iv) to provide other coordination services. In return, the Group pays the agents commission fees. Sales agents in China and Taiwan collect the total revenues from booths sold by them and transfer to the Group the proceeds net of an agreed commission. For the sales agents in regions other than China and Taiwan, the Group collects the booth rental from individual exhibitors and pays the relevant commission to individual sales agents after the shows.

Pre-sales preparation stage

In order to facilitate the sales teams of the Group in promoting exhibition space to potential exhibitors, advertisements in newspapers and trade magazines and press releases are used to generate publicity for exhibitions organised by the Group. Invitations are sent to potential exhibitors chosen from the Group's database. Sales training are provided to its sales teams to assist them in selling exhibition space.

Pre-show preparation stage

About four months prior to the opening of an exhibition organised by the Group, an extensive marketing campaign is implemented to attract both local and overseas visitors. Intensive press releases, special supplements and advertisements are placed in leading newspapers and relevant trade magazines. The Group also utilises its comprehensive database to send invitations to local and overseas potential buyers through direct mailing.

The Group also co-operates with foreign exhibition organisers for promotion of its shows to potential exhibitors and buyers in their countries and vice versa. The arrangements with these exhibition organisers, which act as the Group's overseas sales agents, are mentioned in the section headed "Sales and marketing". The major overseas sales agents of the Group are as follows:

Country of incorporation	Overseas sales agents
Taiwan	Golden Seal International Trade Fair Service Agency Corporation
Thailand	Worldex Exhibition & Promotion Co., Limited
PRC	Guangdong Research Council of Toys Cultural & Economic Development China Council For The Promotion of International Trade Hangzhou Subcouncil Artlook International Trading & Exhibition Co. Ltd. Huiyuan International Trade Fair Service Agency Corp.

Post-show stage

Based on the Group's experience, the Directors believe that the quality of customer service is a key element of a successful exhibition. Hence, the Group is committed to improving its service to ensure a high participation rate in its exhibitions and to acquire new customers. To this end, the Group conducts surveys of exhibitors and buyers after each exhibition to get their feedback with a view to improving the quality of its exhibitions.

For the three years ended 31st March, 2001 and the seven months ended 31st October, 2001, the Group's top five customers in aggregate accounted for approximately 7%, 25.6%, 20.5% and 25.1% respectively of the Group's turnover while the largest customer accounted for approximately 4.9%, 24.1%, 16.7% and 22.5% respectively of the Group's turnover. None of the Directors, their respective associates and shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the top five customers of the Group.

Exhibitors can submit application forms for booth space as soon as the Group commences the promotion and launch of a show. A non-refundable 50% of the exhibition fee is due and payable upon the submission of the application form and the balance is due and payable six months before the date of the show. For applications submitted within six months before the date

BUSINESS

of the trade show, the full non-refundable exhibition fee is due and payable upon application. No credit is granted to exhibitors. Payment from the exhibitors are received in Hong Kong dollars, US dollars or British pounds. There has been no material bad debt experienced during the track record period. The bad debts are related to the publications on the fair catalogues only, which is unrelated to the participation fees.

The Group allocates booths to customers according to the size requested and other specific requirements, if any, of the exhibitors. The Group's design department provides basic booth layout design to the exhibitors. On the request of the exhibitors, the design department may provide custom-made booth layout design and advertising material design for them. In addition, the Group provides advertising service to the exhibitors. The Group's customer service department also arranges accommodation and travel for overseas exhibitors and buyers.

Purchases and supplies

The Group's major suppliers are exhibition and conference centre operators, contractors and sub-contractors. For each of the three years ended 31st March 2001 and the seven months ended 31st October, 2001, HKCEC was the largest supplier of the Group and the operating rental paid for HKCEC venue for organisation of trade shows accounted for approximately 96.4%, 94.2%, 76.1% and 95.1% respectively of the Group's operating lease rentals in those periods and 31%, 25%, 22% and 29% respectively of the Group's cost of exhibitions. The payment to suppliers is largely dependent on the terms signed on a particular contract, and the Group usually settles such payment within one month. For HKCEC venue rentals, 10% of the total rental, which is non-refundable, must be paid upon signing of the agreement; 30% of the total rental, which is non-refundable, must be paid five months and 60%, which is also non-refundable, one month, before the first day of the rental period. Most payments are settled in Hong Kong dollars and the rest are mainly in British pounds. The Group has an arrangement with the HKCEC to hold dates and space for the Group's October Shows from October 2002 to October 2007, which are provisional and subject to contract.

The fees paid to the Group's five largest suppliers in aggregate accounted for approximately 64%, 53%, 44% and 57% respectively of the Group's cost of exhibition for each of the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 while the fees paid to the largest supplier accounted for approximately 31%, 27%, 23% and 31% of the cost of exhibition respectively for the same period. None of the Directors, their respective associates and shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the top five suppliers of the Group.

The Group subcontracts the installation and supply of booths to various independent manufacturers so that it is not reliant on any single manufacturer or group of manufacturers.

Development of overseas trade shows

Leveraging on its expertise in organising trade shows in Hong Kong, the Group continues to seek opportunities to expand its businesses overseas. The Group organised the Asia Expo in the UK in 2001 and 2002 with promising responses from participants. As at 31st October, 2001, the Company had paid a HK\$6 million consultancy fee to each of the two independent consultants namely, Golden Seal International Trade Fair Services Agency Corporation and Worldex Exhibition & Promotion Co., Limited, for the provision of consultancy services in relation to the organisation of trade shows with exhibition related bodies in the PRC and Thailand respectively. The consultancy fees cover liaison with the local exhibition-related bodies, preparing feasibility studies for trade shows and trade show market study and compilation of exhibitor and buyer databases.

COMPETITION

One of the major players in the Hong Kong exhibition and trade show industry is the TDC. It is very difficult for an organiser to compete against the TDC unless it can provide a competitive value-added service to its customers. In response to the challenge, the Group enhances the participation of exhibitors and buyers in the Group's trade shows by providing value-added services to its customers including offering travel and accommodation arrangements in Hong Kong and the UK. From 1992 to 2000, both the numbers of exhibitors and visitors of the October Shows had increased each year, and such upward trend also continued during the Asian economic turmoil in 1997 and 1998. The success of the October Shows is an indication of the Group's standing in the industry. Although there was a slight reduction in the number of visitors attending the October Shows in 2001 compared to 2000, the Directors attribute the reduction in the number of visitors to the terrorists' attacks in the United States, which took place about one month prior to the October Shows in 2001. Nevertheless, the Directors recognise the need to further strengthen the Group's reputation in order to expand internationally.

While there are similar trade shows held overseas and in Hong Kong, the Directors believe that the Group is in a strong competitive position. The October Shows held by the Group in Hong Kong are convened at a prime time in October. The Chinese Export Commodities Fair at Guangzhou, China is also held at around the same time. Therefore, many buyers in the region will attend both exhibitions during the same period. In addition, buyers begin to source merchandise in early November for the Easter holiday season and they are likely to actively participate in exhibitions during that period. The Directors believe that there is no direct competition between the Chinese Export Commodities Fair and the October Shows. The Chinese Export Commodities Fair exhibits both domestic light and heavy industries with exhibitors coming from China only. The October Shows exhibit toys, gifts, premium and household products with the majority of the exhibitors coming from Asia. The October Shows were the largest shows held in the HKCEC in 2001.

The Asia Expo is held during the European peak buying season in February. A number of other European trade shows are also held around that period, so international buyers are travelling within Europe during that time. The Asia Expo distinguishes itself from those European trade shows because it focuses on exhibitors from Asia. Buyers in Europe can focus their sourcing of Asia products at the Asia Expo.

The Group offers competitive prices and provides value-added services such as travelling and accommodation arrangements to its customers. The good calibre of international buyers attending the shows and the high visitor attendance make the shows successful. The Group has not experienced failure in organising exhibitions since its commencement of business.

Entry barriers

Although there is keen competition in the industry, the Directors believe that lack of established reputation is a barrier to enter in the trade show industry. A trade fair organiser must pay in advance to rent its exhibition venue and requires exhibitors to pay non-refundable deposits for booking of exhibition booths. In the latter case, the exhibitors will bear a credit risk on the organiser. In order to reduce this business risk, exhibitors may prefer to participate in those trade fairs held by organisers with established and good reputations. With more than 10 years experience in the industry and a track record of several successful exhibitions, the Directors believe that the Group has established a long-term reputation and goodwill in the exhibition industry.

Another aspect of this entry barrier is the extent of participation in exhibitions. Since an exhibition can be considered as a concentrated marketplace for buyers and an opportunity for industry players to make new business contacts, exhibitors would have a greater preference for exhibitions with a strong participation as they are able to reach a wider spectrum of buyers and

BUSINESS

visitors, which can create more business opportunities. Over the past years, the Group's shows have had significant participation with increasing numbers of exhibitors and visitors at the October Shows (except for the October Shows in 2001 which were affected by the Terrorist Attacks), which further strengthen its position in the industry. New organisers have no record of participation by buyers or visitors in their shows.

The Directors believe that the Group's strengths include the following:

1. Proven business model

Since 1993, the Asian Gifts Premium & Household Products Show has been held as a concurrent event together with the Hong Kong International Toys & Gifts Show annually and the October Shows have recorded growth in terms of both the number of exhibitors and of visitors. In 1998, the October Shows had about 1,500 exhibitors, over 2,200 booths and over 30,000 visitors. In 1999, the October Shows grew significantly in terms of the number of exhibitors, number of booths and number of visitors with a total of 2,300 exhibitors, approximately 3,000 booths and over 43,000 visitors. The October Shows in 2000 had over 2,700 exhibitors, over 3,900 booths and over 57,000 visitors. The October Shows in 2001 had approximately 2,900 exhibitors, approximately 4,100 booths and approximately 55,000 visitors. The Group also successfully organised the first Asia Expos in London in 2001 and 2002.

2. Industrial expertise

The ability of the Group to serve the needs of buyers ensures a large buyers' attendance at the trade shows organised by the Group. The Group's staff regularly attend many other trade shows to obtain information on buyers' profiles and preferences in order to understand buyers' requirements. In addition, all the executive Directors have more than 10 years of experience in the trade show industry. Such in-depth knowledge and expertise in the exhibition industry ensures that the Group's trade shows can fulfill the needs of buyers.

3. Large database of exhibitors and buyers

The Group maintains a large proprietary database of exhibitors, who are mainly in the gifts, premium, toys and household products business, and of buyers, who are mainly general merchandisers. Access of the database is available to authorised persons only, including two Directors, namely Mr. Ip and Mr. Cheung and Mr. Fong Wang, who is the senior manager of the Group responsible for the promotion and marketing of the trade shows organised by the Group. The Group regularly sends its staff to attend other trade fairs and exhibitions to collect and update its database on exhibitors and buyers. The Group's ability to draw from such a large database of exhibitors and buyers enables the Group to market its services broadly which in turn enhances the exposure and business opportunities of the participants in the Group's trade shows, and attracts more exhibitors and buyers to participate in the Group's trade shows accordingly.

4. Focused sales and marketing efforts

The Group organises well structured and coordinated marketing campaigns to promote the Group's trade shows. Marketing and promotion activities are organised throughout the year to create publicity for the Group's trade shows.