

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

As at the close of business on 28th February, 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had total outstanding bank borrowings of approximately HK\$9.9 million.

Security

As at 28th February, 2002, the Group had total banking facilities, representing a mortgage loan of approximately HK\$9.9 million, which were secured by fixed charges on the Group's medium term leasehold land and buildings and personal guarantees given by certain directors of the Group.

Release from guarantees

The Group has received consent in principle from the relevant bank that the personal guarantees provided by certain directors of the Group will be released and replaced by corporate guarantees given by the Company upon the listing of the Shares on the Stock Exchange.

Disclaimer

Save as aforesaid or as otherwise disclosed in the paragraph headed "Indebtedness" and apart from intra-group liabilities, neither the Company nor any of the companies comprising the Group had, at the close of business on 28th February, 2002, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire-purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed above, there has been no material change in the indebtedness of the Group since 28th February, 2002.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital structure

As at 28th February, 2002, being the latest practicable date for the purpose of this statement, the Group had total assets of approximately HK\$70.4 million, comprising fixed assets of HK\$21.3 million and current assets of HK\$49.1 million. The current assets of the Group mainly comprised cash and bank balances of approximately HK\$27.6 million and prepayments, deposits and other receivables of approximately HK\$21.5 million. As at 28th February, 2002, the current liabilities of the Group amounted to approximately HK\$52.7 million, comprising current portion of bank borrowings of approximately HK\$0.5 million, amounts due to directors of approximately HK\$1.1 million, trade payables of approximately HK\$2.8 million, deposits received in advance and accrued liabilities of approximately HK\$43.0 million and tax payable of approximately HK\$5.3 million. As at 28th February, 2002, the Group also had non-current liabilities of HK\$10 million, comprising of non-current portion of bank borrowings of HK\$9.4 million and deferred tax liability of HK\$0.6 million.

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Borrowings and banking facilities

The Group generally finances its operations from internally-generated cashflows and banking facilities provided by its principal banker in Hong Kong.

As at 28th February, 2002, the Group had aggregate banking facilities of approximately HK\$9.9 million made available by one bank in Hong Kong, and an amount of approximately HK\$9.9 million had been utilised. The banking facilities were secured by a charge over leasehold land and buildings of the Group of net book value of approximately HK\$16.6 million as at 28th February, 2002.

Working capital

The Directors are of the opinion that, taking into account its internally-generated funds, its currently available banking facilities and the estimated net proceeds of the New Issue, the Group has sufficient working capital to satisfy its present requirements.

Net current asset position

As at 28th February, 2002, the Group had net cash and bank balances of approximately HK\$27.6 million and, taking into account its internally-generated funds and the estimated net proceeds of the New Issue, the Directors are of the opinion that the Group has sufficient resources for its foreseeable capital expenditure and debt repayment requirements.

DISTRIBUTABLE RESERVES

As at 31st October, 2001, the Company had not been incorporated and therefore, there was no reserve available for distribution to the Shareholders on that date.

PRACTICE NOTE 19 TO THE LISTING RULES

As at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under the Practice Note 19 to the Listing Rules.

FOREIGN EXCHANGE RISK

The functional currencies of the Group's operations have historically included Hong Kong dollars, US dollars and British pounds. The Group has not experienced any material exchange gain or loss as a result of fluctuations in currency exchange rates in the past. As the Group intends to expand its operations in the PRC, there is a possibility that the number of functional currencies of the Group's operations will increase in the future. It is possible that this will have the effect of increasing the Group's exposure to fluctuations in currency exchange rates in the future. While the Group has not used any types of derivatives, or other means, to hedge against currency exchange rate fluctuations in the past, the Group may decide to do so in the future, depending on the circumstances.

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TRADING RECORD

The table below summarises the combined audited results of the Group for each of the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 which is based on the information included in the accountants' report, the text of which is set out in Appendix I to this prospectus. This summary has been prepared on the assumption that the current structure of the Group was in existence throughout the periods under review:

| | Year ended 31st March, | | | Seven months ended |
|---|------------------------|-----------------|-----------------|-----------------------|
| | 1999 | 2000 | 2001 | 31st October, 2001 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| TURNOVER | | | | |
| Participation fee income | 53,258 | 99,828 | 147,218 | 141,202 |
| Entrance fee income | 235 | 255 | 1,029 | 874 |
| Administrative income | – | 696 | 276 | – |
| Advertising fee income | 456 | 652 | 1,810 | 3,119 |
| | <u>53,949</u> | <u>101,431</u> | <u>150,333</u> | <u>145,195</u> |
| Other income | – | – | – | 300 |
| Interest income | 304 | 293 | 904 | 465 |
| Advertising and promotion expenses | (9,060) | (7,763) | (11,647) | (7,155) |
| Agency commission | (175) | (11,112) | (8,786) | (9,061) |
| Depreciation | (974) | (1,301) | (2,800) | (1,920) |
| Operating lease rentals | (9,963) | (13,124) | (20,242) | (17,370) |
| Staff costs | (11,195) | (13,908) | (24,103) | (19,281) |
| Other operating expenses | (12,440) | (15,675) | (34,881) | (24,284) |
| | <u>(41,107)</u> | <u>(49,673)</u> | <u>(77,358)</u> | <u>(68,776)</u> |
| PROFIT FROM OPERATING ACTIVITIES | 10,446 | 38,841 | 48,778 | 66,889 |
| Finance costs | (417) | (355) | (435) | (331) |
| | <u>10,029</u> | <u>38,486</u> | <u>48,343</u> | <u>66,558</u> |
| PROFIT BEFORE TAX | 10,029 | 38,486 | 48,343 | 66,558 |
| Tax | (1,496) | (6,166) | (8,797) | (11,208) |
| | <u>8,533</u> | <u>32,320</u> | <u>39,546</u> | <u>55,350</u> |
| NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | <u>8,533</u> | <u>32,320</u> | <u>39,546</u> | <u>55,350</u> |
| Dividends | <u>(8,600)</u> | <u>(25,000)</u> | <u>(51,000)</u> | <u>(34,500)</u> |
| Earnings per Share | | | | |
| – Basic, cents | <u>6</u> | <u>22</u> | <u>27</u> | <u>38</u> |

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Dividends declared during the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 were paid out of the Group's internal resources and no loan arrangement was made to finance such payment.

General

Throughout the three years ended 31st March, 2001, the Group achieved significant growth in both turnover and net profits. The Group's turnover for each of the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 amounted to approximately HK\$54 million, HK\$101 million, HK\$150 million and HK\$145 million respectively. The Group's net profit attributable to Shareholders for each of the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 amounted to approximately HK\$9 million, HK\$32 million, HK\$40 million and HK\$55 million respectively. The principal factors for the growth were the substantial increases in the size of the October Shows organised by the Group and the successful launch of the Asia Expo in the UK. The turnover of the Group was mainly composed of (i) participation fee income; (ii) entrance fee income; (iii) administrative income and (iv) advertising fee income.

Participation fee income accounted for approximately 98.7%, 98.4%, 97.9% and 97.2% of the Group's turnover for each of the three years ended 31st March, 2001 and for the seven months ended 31st October, 2001 respectively. The increasing publicity of the shows organised by the Group and strong demand for its exhibition booths boosted the Group's turnover. The Directors expect that the participation fee income will continue to remain as the major source of revenue to the Group for the foreseeable future.

The operating profit margin for each of the three years ended 31st March, 2001 and for the seven months ended 31st October, 2001 were approximately 19%, 38%, 32% and 46% respectively, while the net profit margin for the same periods were approximately 16%, 32%, 26% and 38% respectively. The gearing ratio for the same periods, which were computed as the proportion of total debt to total assets, were approximately 11%, 6%, 17% and 15% respectively.

The Group's income is subject to Hong Kong profits tax. The effective tax rates of the Group for each of the three years ended 31st March, 2001 and the seven months ended 31st October, 2001 were approximately 14.9%, 16%, 18.2% and 16.8% respectively. The majority of the Group's profits are generated from Hong Kong. Value added tax is paid in respect of revenues generated from the Asia Expo held in the UK. No UK corporation tax is payable in relation to the first two Asia Expos.

For the year ended 31st March, 1999

The Group's turnover was approximately HK\$54 million for the year ended 31st March, 1999. The net profit attributable to the Shareholders was approximately HK\$9 million. These figures have shown rapid increase from the two years immediately preceding the track record period. In 1998, the turnover and net profit after tax of Kenfair International were approximately HK\$41 million and HK\$7 million respectively, while the turnover and net profit after tax in 1997 were approximately HK\$19 million and HK\$3 million respectively. During the year, the Group was principally engaged in the organisation of trade shows, as well as the provision of related advertising services. The turnover was principally attributable to participation fee income which represented approximately 98.7% of the Group's turnover. The operating profit margin and net profit margin of the Group for the year ended 31st March, 1999 were approximately 19% and 16% respectively.

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For the year ended 31st March, 1999, the total operating expenses of the Group amounted to approximately HK\$43 million, which comprised advertising and promotion expenses of approximately HK\$9 million, agency commission of approximately HK\$0.175 million, depreciation of approximately HK\$1 million, operating lease rentals of approximately HK\$10 million, staff costs of approximately HK\$11 million and other operating expenses of approximately HK\$12 million.

The Group had negative shareholders' equity of approximately HK\$0.8 million in 1999, which resulted from a payment of ordinary dividends of HK\$8.6 million against a net profit of approximately HK\$8.5 million. The aforesaid dividends were declared by Kenfair International. Both Kenfair Publications and Polonius recorded accumulated losses as at 31st March, 1999.

The year ended 31st March, 2000 compared to the year ended 31st March, 1999

For the year ended 31st March, 2000, the Group recorded a significant growth in both turnover and net profit. The Group's turnover increased from approximately HK\$53.9 million to HK\$101.4 million, representing an increase of approximately 88% as compared to the previous year while the net profit attributable to Shareholders increased from approximately HK\$9 million to HK\$32 million, representing an increase of approximately 2.56 times. The net profit margin surged to approximately 32% as compared to approximately 16% in the previous year. The increase in net profit margin was mainly attributable to economies of scale. The number of exhibition booths at the 1999 October Shows was approximately 3,000, representing an increase of approximately 36% over the approximately 2,200 exhibition booths at the 1998 October Shows.

The increase in turnover was principally due to the increase in popularity and the growth in the number of exhibitors of the shows organised by the Group. The increase in popularity and size of the October Shows boosted the participation fee income to approximately HK\$100 million, representing an increase of approximately 87% as compared to the year ended 31st March, 1999. With economies of scale, the increase in the size of the shows generated more income to the Group without incurring much additional costs.

The Group's total operating expenses for the year ended 31st March, 2000 amounted to approximately HK\$63 million, an increase of approximately HK\$20 million or 47% over those in the year ended 31st March, 1999. Advertising and promotion expenses decreased by approximately 11% to approximately HK\$8 million. These expenses were lower in 2000 than in 1999 since the Group was in the process of setting up a representative office in Shanghai, the PRC in 1999, and accordingly, promotion costs were incurred in 1999 in order to set up a potential exhibitor database in China. The increase in agency commission from approximately HK\$175,000 in 1999 to approximately HK\$11 million in 2000 was due to a change of arrangements with Golden Seal International Trade Fair Service Agency Corporation ("Golden Seal"), the Taiwan sales agent of the Group. In 1999, Golden Seal paid comparatively low rental fees to the Group while receiving no agency commission. In 2000, this arrangement was changed. Golden Seal paid rental fees comparable to those paid by other exhibitors and at the same time received an agency commission. Commission of approximately HK\$10.6 million was paid to Golden Seal in 2000. The increase in operating lease rentals was due to an expansion of the October Shows in terms of the number of booths. The increase in other operating expenses was attributable to an increase in overseas trip expenses as a result of the organisation of its first overseas trade show, the Asia Expo in London.

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The year ended 31st March, 2001 as compared to the year ended 31st March, 2000

For the year ended 31st March, 2001, the Group recorded an increase in both turnover and net profit attributable to the Shareholders, in comparison to the previous year. The Group's turnover increased from approximately HK\$101.4 million to HK\$150.3 million, representing an increase of approximately 48% as compared to the previous year while the net profit attributable to the Shareholders increased from approximately HK\$32.3 million to HK\$39.5 million, representing an increase of approximately 22%.

The Group utilised its experience and expertise in the industry and applied its business model to develop a new show in Europe. In February 2001, the Group successfully launched the inaugural Asia Expo in London. The high attendance record and favourable responses from exhibitors and visitors at the Asia Expo led the Group to repeat the show in February 2002 and it is planned to be an annual event. The income derived from the Asia Expo created a new source of participation income which contributed approximately HK\$13.6 million to the Group's turnover for the year ended 31st March, 2001. The participation fee income for the October Shows and the Asia Expo are HK\$133.6 million and HK\$13.6 million respectively for the year ended 31st March, 2001.

The income attributable to participation fee income during the year represented approximately 98% of the Group's turnover. The income from participation fees soared with an increase of approximately 47% as compared to the year ended 31st March, 2000. The number of exhibition booths at the 2000 October Shows was approximately 3,900, representing an increase of approximately 30% from 3,000 exhibition booths at the 1999 October Shows.

The Group's total operating expenses for the year ended 31st March, 2001 amounted to HK\$102 million, an increase of approximately HK\$39 million or 62% over those for the previous year. Advertising and promotion expenses and agency commission were the major component of selling and distribution costs, which amounted to approximately HK\$11.6 million and HK\$8.8 million respectively. The increase in total operating expenses was principally due to an increase in operating lease rentals, staff costs and other operating expenses as a result of the expansion of the October Shows and the launch of a new exhibition, Asia Expo in London, the UK. In addition, the increase in total operating expenses was also attributable to the write off of exhibition development cost of HK\$6 million during the year ended 31st March, 2001. During the year ended 31st March, 2000, Kenfair International entered into an agreement with an employee of the Group pursuant to which Kenfair International agreed to jointly organize and operate a trade show and exhibition in Europe with the employee. Pursuant to an agreement dated 15th July, 2000 between Kenfair International, Kenfair (Overseas) and the employee, the employee agreed to transfer and assign his rights, privileges and interests in relation to the trade shows and exhibitions to be held in Europe to the Group at a consideration of HK\$6 million. Such amount was written off as an exhibition development cost in the profit and loss account of the Group for the year ended 31st March, 2001.

The Group had negative shareholders' equity of approximately HK\$5 million, which was due to a payout of ordinary dividends of HK\$51 million by Kenfair International. Kenfair (Overseas) recorded accumulated losses as at 31st March, 2001.

For the seven months ended 31st October, 2001

The Group's turnover was approximately HK\$145 million for the seven months ended 31st October, 2001, representing an improvement of the results of the Group during the track record period. The net profit attributable to the Shareholders was approximately HK\$55 million. The operating profit margin and net profit margin of the Group were approximately 46% and 38%

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respectively for that period, representing a significant increase from approximately 32% and 26% respectively of the previous financial year. The Group was able to leverage on its accumulated experience and industrial expertise in respect of the October Shows, giving rise to a rapid increase in income with relatively small increase in the corresponding costs. The number of exhibition booths at the 2001 October Shows was approximately 4,100, representing an increase of approximately 5% from 3,900 exhibition booths at the 2000 October Shows.

For the seven months ended 31st October, 2001, the total operating expenses of the Group amounted to approximately HK\$78 million which comprised advertising and promotion expenses of approximately HK\$7 million, agency commission of approximately HK\$9 million, depreciation of HK\$2 million, operating lease rentals of approximately HK\$17 million, staff costs of HK\$19 million and other operating expenses of approximately HK\$24 million which included an impairment loss of a medium term leasehold land and buildings of approximately HK\$4 million.

As of 31st October, 2001, the Company paid a HK\$6 million consultancy fee as prepayments to each of the two independent consultants, Golden Seal and Worldex Exhibition & Promotion Co., Limited, for the provision of consultancy services in relation to the organisation of trade shows and connections with exhibition related bodies in the PRC and Thailand respectively. The consultancy fee paid to each independent consultant covers altogether a period of three years including (i) approximately HK\$3 million for liaison with the local exhibition-related bodies, including marketing and public relations activities, which will be expensed over a term of three years commencing from November 2001; (ii) approximately HK\$1 million for preparing feasibility study of trade shows and trade show market study which will be completed by December 2002 the amount of which will be expensed upon completion of the studies; and (iii) approximately HK\$2 million for compilation of exhibitor and buyer databases which will be completed by December 2002 and June 2003 respectively, the amount of which will be capitalised upon completion of the databases. Out of the HK\$12 million consultancy fee, approximately HK\$0.8 million will be expensed for the profit forecast period ending 31st March, 2002.

PROPERTY INTERESTS

1. Properties owned and occupied by the Group in Hong Kong

- (a) Unit 05, 20th Floor, Nanyang Plaza, No. 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The property is currently vacant.
- (b) Flat B, 12th Floor and Car Parking Space Nos. 10 and 11 on Lower Ground Floor, Hong Villa, No. 12 Bowen Road, Mid-levels, Hong Kong. The property is currently occupied by the Group as a director's residence for Mr. Cheung.

2. Property rented by the Group in Hong Kong

The Group has rented a property located at Suites 2803-08 and Suite 2809, 28th Floor, Tower 6, The Gateway, Harbour City, No. 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong as its principal place of business in Hong Kong. Suites 2803-08 are rented for a term of three years commencing from 1st November, 2001. Suite 2809 is rented from 17th November, 2001 to 31st October, 2004. The landlord is an independent third party not connected with the Directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Company or their respective associates.

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3. Property rented by the Group in the PRC

The Group has rented a property located at Units 3, 5, 6 and 7, Level 30, Lippo Plaza, No. 222 Huai Hai Zhong Road, Lu Wan District, Shanghai, the PRC as its representative office in Shanghai for a term of two years commencing from 16th February, 2002. The landlord is an independent third party not connected with the Directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Company or their respective associates.

LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, has valued the property interests of the Group as at 31st December, 2001. Details of the valuation and the text of a letter, summary of values and valuation certificate from LCH (Asia-Pacific) Surveyors Limited are set out in Appendix III to this prospectus.

PROFIT FORECAST AND DIVIDENDS

Profit forecast

The Directors forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix II to this prospectus, the combined profit after tax but before extraordinary items of the Group for the year ending 31st March, 2002 will not be less than HK\$45 million. The Directors are not aware of any extraordinary items which have risen or are likely to arise during the year ending 31st March, 2002.

On the basis of the above profit forecast and on the assumption that the weighted average number of 144,000,000 Shares had been in issue throughout the financial year ending 31st March, 2002, the forecast earnings per Share on a weighted average basis will be approximately 31.25 cents, representing a prospective price/earnings multiple on a weighted average basis of approximately 3.2 times based on the Offer Price.

On the basis of the above profit forecast and on the assumption that the Company had been listed since 1st April, 2001 and a total of 180,000,000 Shares were in issue throughout the year, which does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, the forecast earnings per Share on a fully diluted basis will be approximately 25 cents, representing a prospective price/earnings multiple on a fully diluted basis of approximately 4 times based on the Offer Price.

The texts of letters from Ernst and Young, the auditors and reporting accountants, and from Baron Capital, Ka Wah Capital and KGI Asia in respect of the profit forecast are set out in Appendix II to this prospectus.

Dividends

Had the Company been a listed company for the whole of the financial year ending 31st March, 2002, a final dividend of approximately 19 cents per Share would represent a prospective annual dividend yield of approximately 19% at the Offer Price.

It is the present intention of the Directors that, in future, interim and final dividends will be paid in or about January and August and that the interim dividend, if any, will normally represent one-third of the expected dividend for each year. The declaration, payment and amount of dividends will be subject to the discretion of the Directors and will be dependent upon the Group's earnings, financial condition, cash requirements and availability, the provisions of relevant laws and all other relevant factors. The Directors expect that the payment of dividends will not have any material impact on the Group's gearing level, indebtedness and liquidity.

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ADJUSTED NET TANGIBLE ASSETS

The following is a pro forma statement of the adjusted combined net tangible assets of the Group which is based on the audited combined net assets of the Group as at 31st October, 2001 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

| | <i>HK\$'000</i> |
|---|-----------------|
| Audited combined net tangible assets of the Group as at 31st October, 2001 | 15,877 |
| <i>Add:</i> Combined loss after tax of the Group for the four months ended 28th February, 2002 based on its unaudited management accounts (<i>Note 1</i>) | (8,201) |
| | 7,676 |
| Estimated net proceeds of the New Issue (<i>Note 2</i>) | 31,000 |
| | 38,676 |
| Adjusted net tangible assets | |
| Adjusted net tangible asset value per Share (<i>Note 3</i>) | 21.49 cents |
| | |

Notes:

1. For the four months ended 28th February, 2002, the Group recorded an unaudited turnover and combined loss after taxation of approximately HK\$18.9 million and HK\$8.2 million respectively. The turnover mainly represented participation fee income for the Asia Expo held in February 2002 and advertising revenue.
2. The estimated net proceeds of the New Issue takes no account of any Shares which may be issued pursuant to any exercise of the Over-allotment Option.
3. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of a total of 180,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which fall to be issued pursuant to the exercise of Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 18th March, 2002" in the section headed "Further information about the Company and its subsidiaries" in Appendix V to this prospectus, or otherwise.

The deficit arising from the revaluation of property interests of the Group as at 31st December, 2001 performed on an open market value basis by LCH (Asia-Pacific) Surveyors Limited, an independent valuer, has been reflected as an impairment loss during the period ended 31st October, 2001 and has thus been accounted for in the audited combined net tangible assets of the Group as at 31st October, 2001.

NO MATERIAL ADVERSE CHANGE

Save as disclosed above, since 31st October, 2001 (being the date to which the latest audited combined financial statements of the Group were made up), there has been no material adverse change in the financial or trading position or prospects of the Group.