
INDUSTRY OVERVIEW

CHINA ECONOMIC OVERVIEW

Overview of the Chinese economy

China has experienced rapid economy growth over the past few years. According to the National Bureau of Statistics of China (“NBSC”), China’s nominal GDP increased by 16.9% from 2007, or real GDP increased by 9.0%, to approximately RMB30,067 billion in 2008 regardless of the recent global economic downturn.

	2006	2007	2008
Real GDP year-on-year growth (%)	11.6	13.0	9.0
Nominal GDP year-on-year growth (%)	15.7	21.4	16.9
Per capita nominal GDP (Rmb)	16,122.3	19,473.8	22,640.5

Source: NBSC

According to the International Monetary Fund, the Chinese economy in terms of GDP has been growing at a faster rate than some of the key economies in the world and China’s GDP ranked third in the world by total size as of 2008.

Country	2006 GDP ^(Note) (US\$ billion)	2007 GDP ^(Note) (US\$ billion)	2008 GDP ^(Note) (US\$ billion)	2008 vs 2007 growth
United States	13,178.4	13,807.6	14,264.6	3.3%
Japan	4,363.6	4,384.4	4,923.8	12.3%
China	2,657.8	3,382.4	4,401.6	30.1%
Germany	2,915.0	3,320.9	3,667.5	10.4%
France	2,271.3	2,593.8	2,865.7	10.5%
United Kingdom	2,435.7	2,803.4	2,674.1	(4.6)%
Italy	1,865.1	2,117.5	2,313.9	9.3%
Spain	1,233.4	1,440.0	1,611.8	11.9%
Australia	755.2	909.7	1,010.7	11.1%
South Korea	952.0	1,049.3	947.0	(9.8)%

Source: International Monetary Fund, World Economic Outlook Database, April 2009

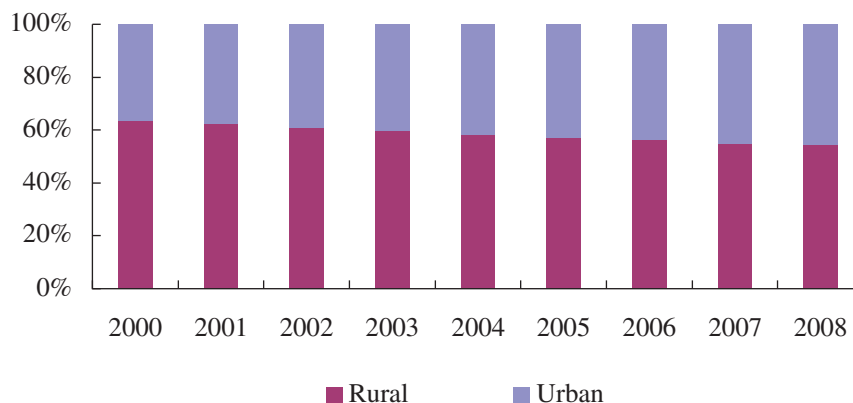
Note: GDP at current prices.

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Urbanisation

According to NBSC, China is the world's largest consumer market with a population of approximately 1.33 billion as of December 2008. Since 2000, there has been a significant increase in the urban population of the PRC, from 36.1% of the total population in 2000 to 45.7% of the total population as of December 2008.

China Population



Source: NBSC

Improvement in household income and overall education level for urban household population

Domestic household income has increased markedly in recent years. The improvement in household income also drives the growth in demand for advertising expenses in order to attract consumers. According to the National Bureau of Statistics of China, the per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively.

Per Capita Annual Income of the Middle Income Households in China



Source: NBSC

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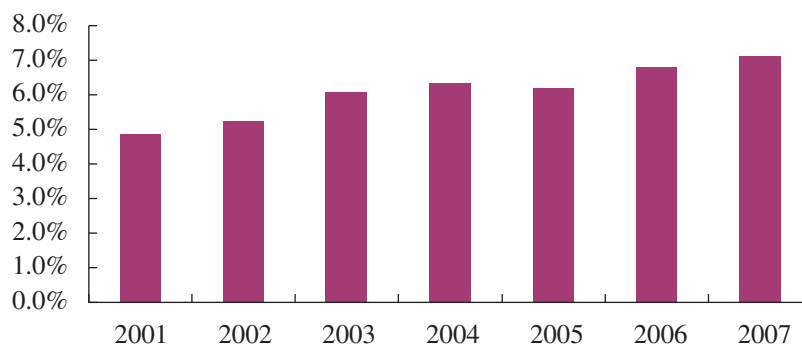
Per Capita Annual Income of the Highest Income Households in China



Source: NBSC

According to the NBSC, the population with higher education level in China has increased from less than 50.0 million in 2001 to approximately 73.2 million in 2007, representing an increase of 46.4%. In other words, the percentage of population with higher education level has increased from less than 3.9% in 2001 to 6.6% in 2007. This illustrates the potential growth of magazines for readers with higher education level in the print media sector.

% Population with College and Higher Education Level in China



Source: NBSC

THE ADVERTISING INDUSTRY IN CHINA

Overview

According to the ZenithOptimedia Report, China was the world's fifth largest advertising market in 2007. The estimated advertising expenditures in China reached approximately US\$15,438 million in 2007, being the second largest advertising market in Asia after Japan. ZenithOptimedia further forecasted that the total advertising expenditures in China will reach approximately US\$22,148 million by 2011, representing a CAGR of 9.4% from 2007 to 2011 compared to a forecasted decrease in advertising expenditures in many other developed countries during the same period, and makes China one of the world's fastest growing countries in terms of advertising expenditures.

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Top ten advertising markets in 2007

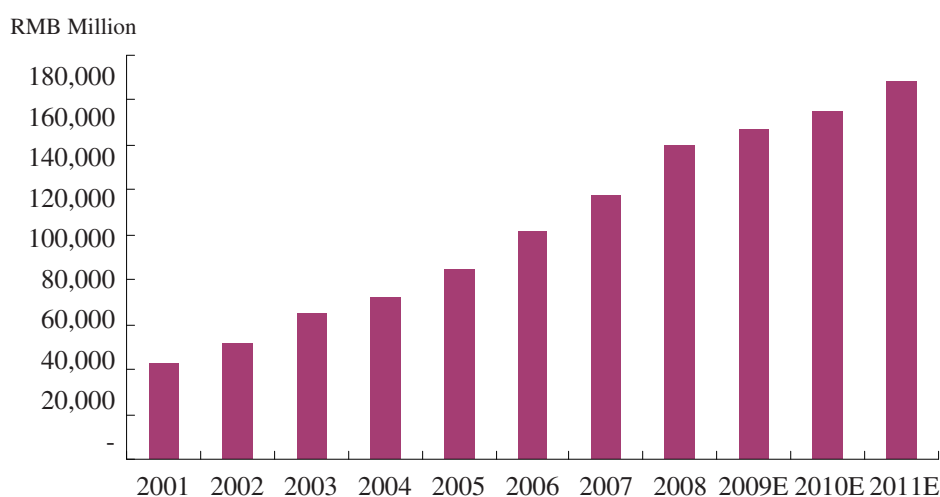
Country	Advertising expenditures			
	2007		2011E	
	(US\$ million)	% to total	(US\$ million)	% to total
United States	179,251	37.2%	155,961	32.4%
Japan	41,048	8.5%	37,320	7.7%
Germany	25,758	5.4%	25,096	5.2%
United Kingdom	25,452	5.3%	24,379	5.1%
China	15,438	3.2%	22,148	4.6%
France	13,956	2.9%	13,792	2.9%
Italy	12,191	2.5%	11,370	2.4%
Spain	10,739	2.2%	9,422	2.0%
South Korea	9,967	2.1%	10,583	2.2%
Australia	9,831	2.0%	9,483	2.0%
Others	138,416	28.7%	161,114	33.5%
Total	482,047	100.0%	480,668	100.0%

Source: ZenithOptimedia Report (March 2009)

Note: “E” denotes estimated figures.

The ZenithOptimedia Report illustrates that in line with the rising household income, advertising expenditures in China have increased by approximately 18.8% from 2007 to 2008 and recorded a CAGR of 18.3% from 2001 to 2008 while advertising expenditures for magazines have increased by approximately 10.0% in 2008 and record a CAGR of 13.7% from 2001 to 2008. This illustrates that China’s magazine advertising sector is growing at a fast pace during recent years.

China’s Total Advertising Expenditures

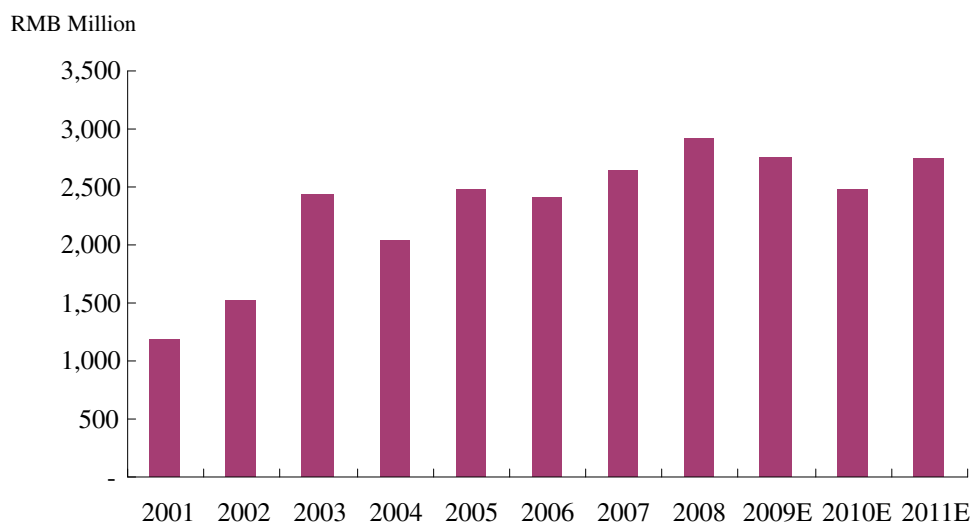


Source: ZenithOptimedia Report (March 2009)

Note: “E” denotes estimated figures.

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China’s Total Advertising Expenditures on Magazines



Source: ZenithOptimedia Report (March 2009)

Note: “E” denotes estimated figures.

Per capita advertising expenditures

Notwithstanding the rapid growth of China’s advertising market in the past few years, China’s estimated advertising expenditures per capita in 2007 and as a percentage of GDP in 2007 is much lower than many other developed countries such as the United States, Japan, Germany, UK, South Korea and Australia. Supported by a strong economic and consumer spending growth as well as 2010 Shanghai World Expo, it is believed that there will be significant room for continual expansion of the China advertising market.

Country	Advertising expenditures in 2007	
	Per capita (US\$)	As % of GDP (%)
United States	586.1	1.30
Japan	320.8	0.94
Germany	311.8	0.77
United Kingdom	418.8	0.92
France	226.4	0.55
Italy	207.1	0.58
Spain	242.5	0.75
South Korea	206.7	1.03
Australia	474.0	1.08
China	11.6	0.48

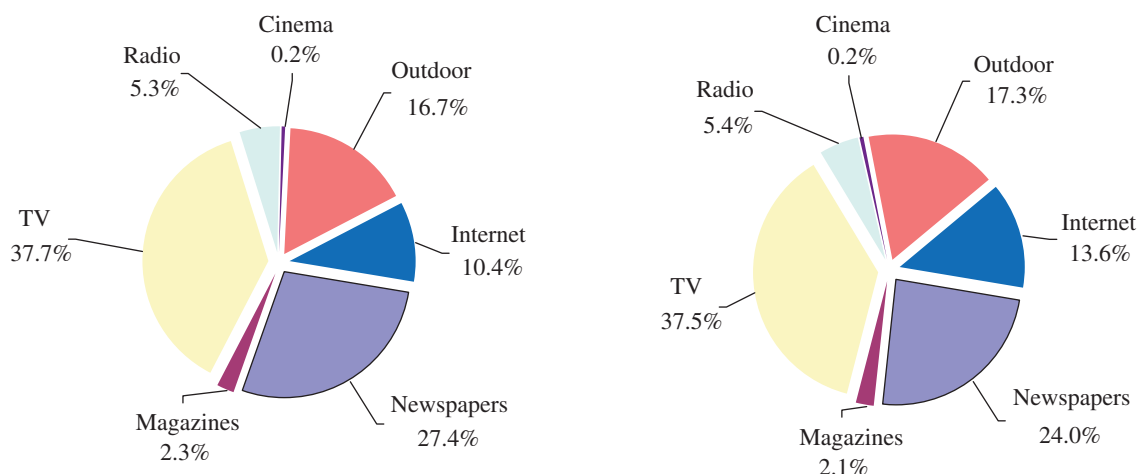
Source: ZenithOptimedia Report (March 2009)

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Advertising expenditures by medium

According to the ZenithOptimedia Report, the breakdown of advertising expenditures by types of medium in the PRC in 2007 and 2008 is as follows:

Advertising Expenditures by Medium in 2007 Advertising Expenditures by Medium in 2008



Source: ZenithOptimedia Report (March 2009)

Advertising revenues of different types of magazines

According to CTR Market Research Co., Ltd., a market research company which focuses on the media industry in China and an Independent Third Party, the advertising revenues for leisure and lifestyle magazines have captured the largest share amongst other magazines during the period from 2004 to 2008. The following table is a breakdown of advertising revenues by types of magazines during the period from 2004 to 2008:

Types of magazines	2004	2005	2006	2007	2008
Leisure and lifestyle	65.2%	66.2%	68.7%	66.5%	68.1%
Financial	8.6%	10.0%	11.3%	10.0%	8.9%
Automobile	5.4%	4.9%	4.2%	7.0%	6.7%
Aircraft	3.4%	3.9%	3.2%	5.7%	6.5%
Political & news	4.9%	4.1%	3.7%	4.5%	4.1%
IT/electronic	9.1%	8.3%	6.5%	3.8%	2.9%
Construction / property	0.2%	0.1%	0.1%	0.2%	0.3%
Others	3.2%	2.5%	2.3%	2.3%	2.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: CTR Market Research Co., Ltd.

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HONG KONG ECONOMIC OVERVIEW

The Hong Kong economy rebounded significantly after a severe setback in 2003 upon the outbreak of severe acute respiratory syndrome. However, Hong Kong economic growth shrank significantly in 2008 due to the fallout of global financial crisis in 2007.

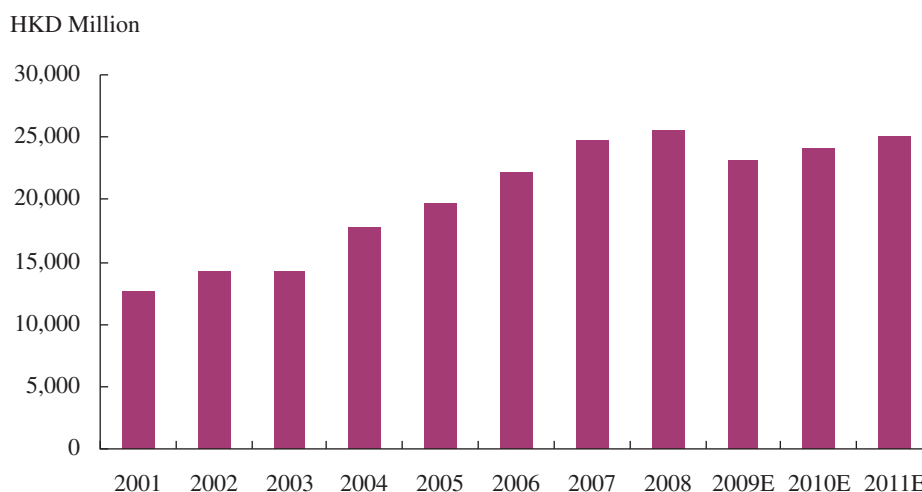
	2004	2005	2006	2007	2008
Real GDP year-on-year growth (%)	8.5	7.1	7.0	6.4	2.4
Nominal GDP year-on-year growth (%)	4.6	7.0	6.7	9.5	3.8
Per capita real GDP (HK\$)	195,340.0	208,263.0	221,455.0	233,245.0	236,989.0
Per capita nominal GDP (HK\$)	190,451.0	202,928.0	215,158.0	233,245.0	240,327.0

Source: Census and Statistics Department of Hong Kong

PRINT MEDIA INDUSTRY IN HONG KONG

Hong Kong’s print media industry is fragmented, backed by a developed printing industry and communications network. It is mainly driven by the advertising market which is affected largely by the general economic condition. According to the ZenithOptimedia Report, the total advertising expenditures in Hong Kong amounted to approximately HK\$25.6 billion in 2008, representing a growth of approximately 3.7% from 2007, or a CAGR of approximately 10.6% from 2001 to 2008.

Hong Kong’s Total Advertising Expenditures



Source: ZenithOptimedia Report (March 2009)

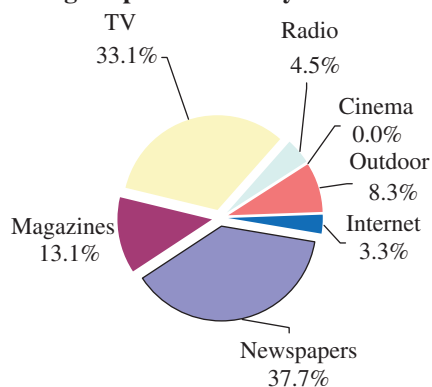
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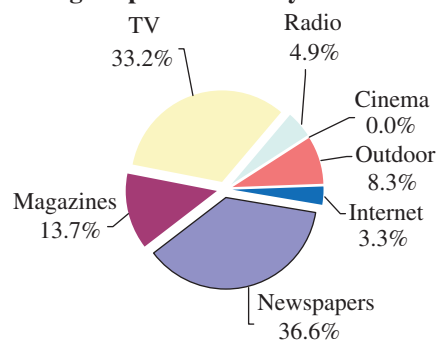
Advertising expenditures by medium

According to the ZenithOptimedia Report, advertising expenditures on newspapers and TV in Hong Kong accounted for the largest share of total advertising expenditures in 2008. The breakdown of advertising expenditures by medium in 2007 and 2008 is as follows:

Advertising Expenditures by Medium in 2007



Advertising Expenditures by Medium in 2008



Source: ZenithOptimedia Report (March 2009)

Top Category Spending

According to the Nielsen Company, “Medication/Tonic”, “General Retail” and “Female Skin Care” were the top three most advertised categories in 2007 and the total combined advertising expenditures of the top 10 categories made up 40% of the total advertising expenditures.

Top 10 advertising categories

Ranking	Categories	% to total advertising expenditures in 2007
1	Medication / Tonic	6.9%
2	General Retail	4.8%
3	Female Skin Care	4.1%
4	Real Estate	4.0%
5	Entertainment & Leisure	4.0%
6	Travel	3.9%
7	Entertainment	3.8%
8	Household	3.5%
9	Health & Fitness	3.0%
10	Education	2.6%

Source: The Nielsen Company

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Recent development of the advertising industry in the global market and China

According to the ZenithOptimedia Report, global advertising expenditures had been contracting since the third quarter of 2008 as a result of the outburst of the global financial turmoil, and such contraction was accelerated in the fourth quarter of 2008 and the first quarter of 2009. ZenithOptimedia has forecasted that global advertising expenditure will shrink by 6.9% in 2009 followed by a 1.5% growth in 2010 and a 4.5% growth in 2011.

For China’s advertising market, advertising expenditure in China increased by [18.8]% in 2008 driven by the Beijing Olympics Games. Regardless of the anticipated contraction in global advertising market, China’s advertising market is expected to outperform most of the developed countries in the world and maintains a steady growth in the coming years. According to ZenithOptiameida, the advertising expenditures growth in China will slow to just approximately 5.4% in 2009 compared to a decrease of 6.9% in global advertising expenditure. Moreover, the Shanghai World Expo and the 2010 FIFA World Cup South Africa are expected to stimulate demand for advertising in the coming years and it is expected that the total advertising expenditures in China will grow by 5.2% in 2010 and 8.9% in 2011.