



**PICO FAR EAST HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

EXHIBITIONS • EVENTS & PROMOTIONS • PERMANENT EXHIBITS • MULTIMEDIA • INTERIOR ARCHITECTURE & ADVERTISING SIGNAGE • CONFERENCES & MEETINGS

**Interim Report 2003**

## INTERIM RESULTS

The Board of Directors (the “Board”) of Pico Far East Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended April 30, 2003, together with the unaudited comparative figures for the corresponding period in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended April 30, 2003

		For the six months ended April 30,	
	Note	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
Turnover	2	427,495	490,042
Cost of sales		<u>(278,612)</u>	<u>(322,350)</u>
Gross profit		148,883	167,692
Other revenue		7,342	5,078
Distribution costs		(71,884)	(82,593)
Administrative expenses		(87,854)	(82,223)
Other operating expenses		<u>(5,681)</u>	<u>(1,060)</u>
(Loss) Profit from operations	3	(9,194)	6,894
Finance costs	4	<u>(1,949)</u>	<u>(2,721)</u>
		(11,143)	4,173
Share of results of associates		<u>2,986</u>	<u>2,480</u>
(Loss) Profit before taxation		(8,157)	6,653
Taxation	6	<u>(3,961)</u>	<u>(1,935)</u>
(Loss) Profit before minority interests		(12,118)	4,718
Minority interests		<u>(1,750)</u>	<u>(3,708)</u>
Net (loss) profit for the period		<u><u>(13,868)</u></u>	<u><u>1,010</u></u>
Dividends	7	<u><u>(8,255)</u></u>	<u><u>(16,364)</u></u>
(LOSS) EARNINGS PER SHARE	8		
Basic		<u><u>(2.52) cents</u></u>	<u><u>0.19 cents</u></u>
Diluted		<u><u>(2.52) cents</u></u>	<u><u>0.19 cents</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**At April 30, 2003**

		<b>April 30,</b>	October 31,
		<b>2003</b>	2002
	<i>Note</i>	<b>Unaudited</b>	Audited
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current Assets</b>			
Investment properties		<b>19,133</b>	12,140
Property, plant and equipment	9	<b>320,985</b>	342,210
Goodwill	9	<b>4,412</b>	4,529
Interests in associates		<b>21,455</b>	18,739
Non-trading securities	10	<b>7,664</b>	7,541
Other receivables		<b>27,727</b>	26,887
		<b>401,376</b>	412,046
<b>Current Assets</b>			
Inventories		<b>16,268</b>	14,822
Contract work in progress		<b>4,804</b>	3,068
Debtors, deposits and prepayments	11	<b>266,197</b>	259,999
Amounts due from associates		<b>4,226</b>	5,569
Taxation recoverable		<b>1,340</b>	2,028
Pledged bank deposits		<b>17,320</b>	17,646
Bank balances and cash		<b>159,094</b>	183,915
		<b>469,249</b>	487,047
<b>Current Liabilities</b>			
Payments received on account		<b>68,401</b>	47,359
Creditors and accrued charges	12	<b>216,231</b>	245,115
Amounts due to associates		<b>524</b>	1,447
Taxation payable		<b>5,883</b>	8,815
Borrowings		<b>85,276</b>	97,034
Dividend payable	7	<b>8,255</b>	-
		<b>384,570</b>	399,770
<b>Net Current Assets</b>		<b>84,679</b>	87,277
<b>Total Assets Less Current Liabilities</b>		<b>486,055</b>	499,323

**CONDENSED CONSOLIDATED BALANCE SHEET** (Cont'd)  
**At April 30, 2003**

		<b>April 30,</b>	October 31,
		<b>2003</b>	2002
	<i>Note</i>	<b>Unaudited</b>	Audited
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Capital and Reserves</b>			
Share capital	<i>13</i>	<b>55,033</b>	54,827
Other reserves		<b>123,422</b>	121,031
Retained earnings			
Proposed final dividend		–	8,255
Others		<b>225,929</b>	240,015
		<hr/>	<hr/>
<b>Shareholders' Funds</b>	<i>14</i>	<b>404,384</b>	424,128
		<hr/>	<hr/>
<b>Minority Interests</b>		<b>38,217</b>	39,932
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Borrowings		<b>39,112</b>	30,571
Deferred taxation		<b>4,342</b>	4,692
		<hr/>	<hr/>
		<b>43,454</b>	35,263
		<hr/>	<hr/>
		<b>486,055</b>	499,323
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended April 30, 2003**

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Opening balance – total equity	<u>424,128</u>	<u>421,930</u>
Deficit on revaluation of investments in securities	(6)	(23)
Increase due to acquisition of subsidiaries	–	1
Exchange differences arising on translation of overseas operations	<u>1,210</u>	<u>1,510</u>
Net gains not recognised in the consolidated income statement	<u>1,204</u>	<u>1,488</u>
Net(loss) profit for the period	(13,868)	1,010
Dividends	(8,255)	(16,364)
Shares issued at premium	1,393	–
Repurchase of shares at premium	<u>(218)</u>	<u>–</u>
Closing balance – total equity	<u><u>404,384</u></u>	<u><u>408,064</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended April 30, 2003**

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash outflow from operating activities	<b>(15,966)</b>	(45,023)
Net cash outflow from investing activities	<b>(4,219)</b>	(13,117)
Net cash outflow before financing activities	<b>(20,185)</b>	(58,140)
Net cash (outflow) inflow from financing activities	<b>(4,550)</b>	37,093
Decrease in cash and cash equivalents	<b>(24,735)</b>	(21,047)
Cash and cash equivalents at beginning of the period	<b>176,552</b>	183,573
Effect of foreign exchange rate changes, net	<b>893</b>	1,487
Cash and cash equivalents at end of the period	<b><u>152,710</u></b>	<u>164,013</u>

Analysis of the balances of cash and cash equivalents

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Bank balances and cash	<b>159,094</b>	169,289
Bank overdrafts	<b>(6,384)</b>	(5,276)
Cash and cash equivalents at end of the period	<b><u>152,710</u></b>	<u>164,013</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**For the six months ended April 30, 2003**

**1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited consolidated condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed accounts should be read in conjunction with the 2002 audited annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the Group’s audited annual accounts for the year ended October 31, 2002 except that the Group has changed certain of its accounting policies following its adoption of the following new and revised SSAPs issued by the HKSA:

SSAP 11 (revised)	:	Foreign currency translation
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

SSAP 11 (revised) prescribes the basis for translation of foreign currency transactions and financial statements. It has eliminated the choice of translating the income statement of the Group’s operations outside Hong Kong at the closing rate ruling on the balance sheet date and now required to be translated at an average rate for the period. This change in accounting policy has not had any material effect on the results for the current and prior accounting periods.

SSAP 34 introduces measurement rules for employee benefits, including retirement benefit plans. Employee entitlements to annual leave are recognised when they accrue to employees. A provision of HK\$3.2 million (1.11.2001 to 30.4.2002: nil) is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

## 2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the exhibition stand design and fabrication, museum interior fit-outs, sign advertising, the organisation of exhibition and conference, exhibition hall management service and other activities. Revenue recognised during the period are as follows:

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	2002
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Exhibition and exhibition related business	<b>355,347</b>	399,248
Museum interior fit-outs	<b>23,111</b>	49,803
Sign advertising	<b>34,517</b>	17,228
Exhibition and conference organiser	<b>8,890</b>	15,257
Exhibition hall management	<b>3,765</b>	3,600
Others activities	<b>1,865</b>	4,906
	<hr/>	<hr/>
	<b><u>427,495</u></b>	<b><u>490,042</u></b>

### **Primary reporting format – geographical segments**

The Group operates, through its subsidiaries or associates on a worldwide basis, and mainly in 8 geographical areas – Hong Kong, China, Singapore, Malaysia, America, Japan, Middle East and Taiwan. Other countries include South Korea, United Kingdom, Sri Lanka and other regions in South Asia etc.

In presenting information on the basis of geographical segments, segment turnover and segment operating results are based on the geographical location of customers.

### **Secondary reporting format – business segments**

The Group is categorised into 5 main business segments:

- Exhibition and exhibition related business
- Museum interior fit-outs
- Sign advertising
- Exhibition and conference organiser
- Exhibition hall management



## 2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

Others activities of the Group include rental income from leasing properties, tools and equipment and other service fees.

### (i) Primary reporting format – geographical segments

For the six months ended April 30, 2003

#### Income Statement

REVENUE	Hong Kong				Middle East				Others	Elimination	Group
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
External sales	87,657	90,221	67,339	34,632	49,518	25,714	22,629	10,941	38,844	-	427,495
Inter-segment sales	38,052	5,866	13,840	152	472	719	5,279	1,684	300	(66,364)	-
Total revenue	<u>125,709</u>	<u>96,087</u>	<u>81,179</u>	<u>34,784</u>	<u>49,990</u>	<u>26,433</u>	<u>27,908</u>	<u>12,625</u>	<u>39,144</u>	<u>(66,364)</u>	<u>427,495</u>

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment result	(3,630)	2,095	(9,000)	2,813	700	865	3,294	(48)	3,880		969
Interest income											888
Unallocated costs											(11,051)
Loss from operation											(9,194)
Finance costs											(1,949)
Share of profits of associates	1,305	-	-	-	-	-	-	-	1,681		2,986
Loss before taxation											(8,157)
Taxation											(3,961)
Loss after taxation											<u>(12,118)</u>

## 2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

### (i) Primary reporting format – geographical segments (Cont'd)

For the six months ended April 30, 2002

#### Income Statement

	Hong Kong	China	Singapore	Malaysia	America	Japan	Middle East	Taiwan	Others	Elimination	Group
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
REVENUE	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
External sales	135,392	77,123	108,215	33,482	17,318	20,417	24,232	19,101	54,762	-	490,042
Inter-segment sales	10,631	32,204	5,814	1,027	2,229	1,565	2,331	99	3,117	(59,017)	-
Total revenue	<u>146,023</u>	<u>109,327</u>	<u>114,029</u>	<u>34,509</u>	<u>19,547</u>	<u>21,982</u>	<u>26,563</u>	<u>19,200</u>	<u>57,879</u>	<u>(59,017)</u>	490,042

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment result	<u>(2,890)</u>	<u>6,376</u>	<u>(1,130)</u>	<u>2,385</u>	<u>1,182</u>	<u>827</u>	<u>16</u>	<u>1,601</u>	<u>3,967</u>		12,334
Interest income											885
Unallocated costs											<u>(6,325)</u>
Profit from operation											6,894
Finance costs											<u>(2,721)</u>
Share of profits of associates	2,480	-	-	-	-	-	-	-	-	-	<u>2,480</u>
Profit before taxation											6,653
Taxation											<u>(1,935)</u>
Profit after taxation											<u>4,718</u>

## 2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

### (ii) Secondary reporting format – business segments

	Turnover		Profit (Loss)	
	For the six months ended		from operations	
	April 30,		April 30,	
	2003	2002	2003	2002
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exhibition and exhibition related business	355,347	399,248	(2,277)	18,040
Museum interior fit-outs	23,111	49,803	1,304	(2,451)
Sign advertising	34,517	17,228	2,900	2,209
Exhibition and conference organiser	8,890	15,257	(2,208)	(614)
Exhibition hall management	3,765	3,600	2,255	(289)
Others activities	1,865	4,906	(1,005)	(4,561)
	<u>427,495</u>	<u>490,042</u>	<u>969</u>	<u>12,334</u>
Interest income			888	885
Unallocated costs			(11,051)	(6,325)
(Loss) Profit from operations			<u>(9,194)</u>	<u>6,894</u>

### 3. (LOSS) PROFIT FROM OPERATIONS

(Loss) Profit from operations is stated after charging the following:

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation and amortisation:		
Assets owned by the Group	<b>13,781</b>	16,003
Assets held under finance lease and hire purchase contracts	<b>668</b>	2,581
	<b>14,449</b>	18,584
Provision for bad and doubtful debts	<b>4,253</b>	667
Amortisation of goodwill	<b>116</b>	–
Loss on disposal of property, plant and equipment	<b>559</b>	1,020
Loss on disposal of an investment property	<b>474</b>	–
Revaluation deficit of an investment property	<b>4,120</b>	–
	<b>–</b>	<b>–</b>
and after crediting:		
Interest income	<b>888</b>	885
Profit on disposal of property, plant and equipment	<b>683</b>	31
Unrealised gain on trading securities	<b>–</b>	101
	<b>–</b>	<b>–</b>

#### 4. FINANCE COSTS

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank borrowings wholly repayable within five years	<b>1,601</b>	2,023
Bank borrowings not wholly repayable within five years	<b>269</b>	432
	<b>1,870</b>	2,455
Finance charges in respect of finance leases and hire purchase contracts	<b>79</b>	266
Total borrowing costs	<b>1,949</b>	2,721

#### 5. STAFF COSTS

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Wages and salaries	<b>90,625</b>	99,196
Unutilised annual leave	<b>3,163</b>	–
Pension costs – defined contribution plans	<b>6,103</b>	7,097
	<b>99,891</b>	106,293

## 6. TAXATION

**For the six months  
ended April 30,**  
**2003**                      2002  
**Unaudited**              Unaudited  
**HK\$'000**                **HK\$'000**

The charge comprises:

Profits Tax for the period		
Hong Kong	<b>38</b>	60
Overseas	<b>3,659</b>	1,356
Over provision in prior periods		
Hong Kong	<b>(125)</b>	–
Overseas	<b>(54)</b>	(129)
	<b>3,518</b>	1,287
Share of tax on results of associates	<b>443</b>	648
	<b>3,961</b>	1,935

Hong Kong Profits Tax is calculated at 16% (1.11.2001 to 30.4.2002: 16%) on the estimated assessable profit for the period. A portion of the Group's profit is derived offshore and is not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have any significant unprovided deferred taxation for the period.

## 7. DIVIDENDS

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
2002 final dividend – HK1.5 cents per share (2001 final: HK3 cents per share)	<b><u>8,255</u></b>	<b><u>16,364</u></b>

*Notes:*

- (a) The final dividends of the years ended October 31, 2002 and October 31, 2001 of HK\$8,255,000 and HK\$16,364,000, respectively, were approved after the balance sheet date. Under the Group's accounting policy, they were now charged in the periods in which they were proposed and approved.
- (b) The Board of Directors has resolved not to declare any interim dividend for the six months ended April 30, 2003 (1.11.2001 to 30.4.2002: nil).

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	<b>For the six months ended April 30,</b>	
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss) Earnings for the purposes of basic and diluted earnings per share	<b><u>(13,868)</u></b>	<b><u>1,010</u></b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>550,457,086</b>	545,457,252
Effect of dilutive potential ordinary shares in respect of options	<u>–</u>	<u>431,118</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>550,457,086</u></b>	<b><u>545,888,370</u></b>

## 9. CAPITAL EXPENDITURE

	<b>Property, plant and equipment Unaudited HK\$'000</b>	<b>Goodwill Unaudited HK\$'000</b>
6 months ended April 30, 2003		
Opening net book amount	342,210	4,529
Additions	7,573	–
Disposals	(1,763)	–
Transfer	(12,366)	–
Depreciation charge/amortisation	(14,449)	(116)
Exchange adjustments	(220)	(1)
	<u>320,985</u>	<u>4,412</u>
Closing net book amount	<u>320,985</u>	<u>4,412</u>

## 10. NON-TRADING SECURITIES

	<b>April 30, 2003 Unaudited HK\$'000</b>	<b>October 31, 2002 Audited HK\$'000</b>
Club debentures	5,617	5,488
Other securities, unlisted ( <i>Note</i> )	285	285
Other securities, listed in Hong Kong	1,762	1,768
	<u>7,664</u>	<u>7,541</u>
Market value of listed other securities	<u>1,762</u>	<u>1,768</u>

*Note:* The directors are of the opinion that they are worth at least their respective carrying values.



## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 to 90 days to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$210,225,000 (year ended 31.10.2002: HK\$217,402,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30,</b> <b>2003</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2002 Audited HK\$'000
0 – 90 days	<b>156,215</b>	170,369
91 – 180 days	<b>31,528</b>	20,545
181 – 365 days	<b>11,901</b>	16,742
More than 1 year	<b>10,581</b>	9,746
	<hr/> <b>210,225</b> <hr/>	<hr/> 217,402 <hr/>

## 12. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$91,387,000 (year ended 31.10.2002: HK\$113,083,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30,</b> <b>2003</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2002 Audited HK\$'000
0 – 90 days	<b>66,658</b>	82,543
91 – 180 days	<b>9,817</b>	16,377
181 – 365 days	<b>9,356</b>	5,687
More than 1 year	<b>5,556</b>	8,476
	<hr/> <b>91,387</b> <hr/>	<hr/> 113,083 <hr/>

### 13. SHARE CAPITAL

Number of shares		Share capital	
April 30, 2003	October 31, 2002	April 30, 2003	October 31, 2002
Unaudited	Audited	Unaudited	Audited
		HK\$'000	HK\$'000

Ordinary shares of HK\$0.1 each:

Authorised:

At beginning and end of the period/year	<b>600,000,000</b>	600,000,000	<b>60,000</b>	60,000
--	--------------------	-------------	---------------	--------

Issued and fully paid:

At beginning of the period/year	<b>548,271,252</b>	545,457,252	<b>54,827</b>	54,546
Exercise of share options (note a)	<b>2,788,000</b>	2,814,000	<b>279</b>	281
Repurchase and cancellation of shares (note b)	<b>(732,000)</b>	–	<b>(73)</b>	–
At end of the period/year	<b>550,327,252</b>	548,271,252	<b>55,033</b>	54,827

Notes:

- (a) During the period, 2,752,000 and 36,000 shares were issued at HK\$0.5 and HK\$0.461 per share respectively as a result of the exercise of share options of the Company.
- (b) During the period, the Company repurchased a total number of ordinary shares 732,000 at aggregate consideration of HK\$218,750 of its own shares on the Stock Exchange pursuant to the Company's share repurchase mandate granted on February 27, 2003. The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against retained profits.

Save as disclosed above, none of the company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## 14. CAPITAL AND RESERVES

	Capital			Investment		Goodwill reserve	Legal Translation		Retained earnings	Total
	Share capital	Share redemption premium	reserve	Capital reserve	revaluation reserve		reserve	reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP										
At November 1, 2001	54,546	598,517	247	(11,998)	(1,315)	(412,024)	1,055	(55,793)	248,695	421,930
Shares issued at premium	281	1,124	-	-	-	-	-	-	-	1,405
Deficit on revaluation of non-trading securities	-	-	-	-	(1,143)	-	-	-	-	(1,143)
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	2,267	-	2,267
Transfer	-	-	-	-	-	-	93	1	(94)	-
Net profit for the year	-	-	-	-	-	-	-	-	16,033	16,033
2001 final dividend	-	-	-	-	-	-	-	-	(16,364)	(16,364)
	<u>54,827</u>	<u>599,641</u>	<u>247</u>	<u>(11,998)</u>	<u>(2,458)</u>	<u>(412,024)</u>	<u>1,148</u>	<u>(53,525)</u>	<u>248,270</u>	<u>424,128</u>
At October 31, 2002 (audited)	54,827	599,641	247	(11,998)	(2,458)	(412,024)	1,148	(53,525)	248,270	424,128
Shares issued at premium	279	1,114	-	-	-	-	-	-	-	1,393
Premium on repurchase of shares	-	-	-	-	-	-	-	-	(145)	(145)
Repurchase of shares	(73)	-	-	-	-	-	-	-	-	(73)
Transfer upon cancellation of shares	-	-	73	-	-	-	-	-	(73)	-
Deficit on revaluation of non-trading securities	-	-	-	-	(6)	-	-	-	-	(6)
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	1,210	-	1,210
Net loss for the period	-	-	-	-	-	-	-	-	(13,868)	(13,868)
2002 final dividend	-	-	-	-	-	-	-	-	(8,255)	(8,255)
	<u>55,033</u>	<u>600,755</u>	<u>320</u>	<u>(11,998)</u>	<u>(2,464)</u>	<u>(412,024)</u>	<u>1,148</u>	<u>(52,315)</u>	<u>225,929</u>	<u>404,384</u>
At April 30, 2003 (unaudited)	55,033	600,755	320	(11,998)	(2,464)	(412,024)	1,148	(52,315)	225,929	404,384

## 15. PLEDGE OF ASSETS

At April 30, 2003, the Group has pledged bank deposits of approximately HK\$17 million (year ended 31.10.2002: HK\$18 million), land and buildings, investment properties, accounts receivable, inventories and property and equipment with aggregate net book values of approximately HK\$251 million (year ended 31.10.2002: HK\$266 million), HK\$16 million (year ended 31.10.2002: HK\$4 million), HK\$13 million (year ended 31.10.2002: HK\$8 million), HK\$1 million (year ended 31.10.2002: HK\$2 million) and HK\$2 million (year ended 31.10.2002: HK\$1 million) respectively, as collaterals for credit facilities granted to the Group by certain banks. The pledged bank deposits are applied to secure the short-term bank borrowings.

## 16. COMMITMENTS

### (i) Operating Lease Commitments

As at April 30, 2003 the Group had the outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment which fall due as follow:

	April 30, 2003		October 31, 2002	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Within one year	11,579	266	11,523	234
In the second to fifth year inclusive	35,038	519	32,968	141
Over five years	144,420	–	123,348	–
	<u>191,037</u>	<u>785</u>	<u>167,839</u>	<u>375</u>

### (ii) Capital Commitments

	April 30, 2003 Unaudited HK\$'000	October 31, 2002 Audited HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>404</u>	<u>–</u>
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>356</u>	<u>–</u>

In addition, the Group is under negotiation to establish a joint venture in which the Group will invest approximately USD 700,000 to develop an exhibition company in China. (year ended 31.10.2002: USD 700,000 and RMB 1,020,000).

Save as above, the Group did not have significant capital commitments at the date of report.

## 17. CONTINGENT LIABILITIES

(i)	THE GROUP		THE COMPANY	
	April 30, 2003 Unaudited HK\$'000	October 31, 2002 Audited HK\$'000	April 30, 2003 Unaudited HK\$'000	October 31, 2002 Audited HK\$'000
Guarantees given to banks in respect of banking facilities				
– subsidiaries and related companies	–	–	446,271	424,957
– associates	4,000	4,000	–	–
– investee company	18,025	18,025	–	–
	<u>22,025</u>	<u>22,025</u>	<u>446,271</u>	<u>424,957</u>

(ii) At April 30, 2003, Pico Hong Kong Limited, a wholly-owned subsidiary of the Company, was named as the first defendant in a civil proceeding brought by an employee of the Group's subcontractor of HK\$2.9 million for alleged personal injuries and future losses of earnings suffered during work.

The Group has sought legal advice regarding certain claims proceedings however no provision for any potential liability has been made in these financial statements.

## 18. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2003					As at April 30, 2003		
	Exhibition	Sub-	Management	Furniture	Property	Receivable	Payable	Guarantee
	income	contracting	fee income	rental paid	rental paid			
Unaudited	fee paid	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	given to bank	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Unaudited
Associates								
(note 1)	1,330	500	1,096	677	-	4,226	524	4,000
Related								
companies								
(note 2)	-	-	-	-	423	16	264	-
	For the six months ended April 30, 2002					As at October 31, 2002		
	Exhibition	Sub-	Management	Furniture	Property	Receivable	Payable	Guarantee
	income	contracting	fee income	rental paid	rental paid			
Unaudited	fee paid	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates								
(note 1)	-	1,696	-	-	-	5,569	1,447	4,000
Related								
companies								
(note 2)	-	-	-	-	-	232	57	-

In addition to the above, during the period, the Group increased its shareholding from 52% to 61% in a subsidiary by purchasing 450,000 ordinary shares at HK\$35,100 in February 2003 and then a further 20% equity interest in the subsidiary of 1,000,000 Preferred shares and a warrant entitling it to subscribe at its option up to 555,555 Preferred shares (representing 10% of the issued share capital on fully diluted basis upon exercise at the subscription price of US\$2.00 per Preferred Share) in the subsidiary at HK\$2,500,000 in March 2003 from two separate related parties. The details for the latter one were already published in our press announcement to the shareholders dated March 17, 2003.

### Notes:

- (1) All transactions except for guarantee given to bank were carried out at cost plus a percentage of mark-up.
- (2) The rental payment was based on market rate. A director of the Company has significant influence over these companies.

## **INTERIM DIVIDED**

The Board does not recommend the payment of interim dividend for the period ended April 30, 2003 (1.11.2001 to 30.4.2002: nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Result**

The Group turnover for the six months ended April 30, 2003 was HK\$427 million which is 12.8% lower compared with the previous corresponding period. Several exhibitions were reduced in size while others were cancelled due to the US-Iraq war and the outbreak of Severe Acute Respiratory Syndrome (“SARS”) during the period under review. The travel, tourism, and the exhibition industries had been directly affected by these two events.

Some of the high profile exhibitions which were cancelled during the SARS crisis in April 2003 included the Asia Pacific Leather Fair, Houseware Fair, and Gift and Premium Fair which were scheduled in Hong Kong; the Infocomm show in Shanghai; the Toys, Gift and Houseware Fair in Dongguan; the Agro Foodtech show, International Storage show, and China Medical show in Beijing besides the cancellation of many corporate promotion events in Singapore, Hong Kong, China and Taiwan due to restrictions imposed on airline passengers. As the Group derives about 80% of its total revenue from exhibition stand design and fabrication, these cancellations had adversely affected the Group’s performance during the period under review.

The decline in turnover was also due to a reduction in the museum and the interior fit-out business as there were no large projects on hand. Turnover in this business segment was HK\$23 million which is 54% lower compared with the previous corresponding period.

Exhibition and conference organiser’s business was also affected as many conferences were cancelled during the SARS crisis. Turnover was HK\$8.9 million which is 42% lower compared with the previous corresponding period.

## Liquidity and Financial information

At April 30, 2003, the liquidity ratios of the Group were as follows:

	<b>April 30, 2003</b>	October 31, 2002
(i) Current ratio ( <i>Current assets/Current liabilities</i> )	1.22	1.22
(ii) Liquidity ratio ( <i>Current assets – excluding inventory and contract work in progress/Current liabilities</i> )	1.17	1.17
(iii) Gearing ratio ( <i>Long term borrowings/Total assets</i> )	4.49%	3.4%

The current ratio and liquidity ratio of the Group as shown above were kept. Under the tight control on the borrowings by the management, the Group still maintained a healthy liquidity position. The gearing ratio is still healthy and we will continue to maintain a low gearing ratio to preserve the existing sound financial position of the Group.

The Group cash and bank balance as at April 30, 2003 was HK\$159 million (year ended 31.10.2002: HK\$184 million), and the pledged bank deposits as at April 30, 2003 was approximately HK\$17 million (year ended 31.10.2002 : HK\$18 million). The reduction was applied towards the payment of current creditors.

The Group borrowings due within one year was HK\$85 million (year ended 30.10.2002: HK\$97 million). Those due more than one year was HK\$39 million (year ended 31.10.2002: HK\$31 million). There was a reduction of bank borrowing of about HK\$4 million during the period.

Although our subsidiaries are located in many different countries of the world, over 68% of the Group sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining approximately 32% were denominated in other Asian currencies and Europe currencies. Bank borrowings are mainly denominated in Singapore dollars, Hong Kong dollars and US dollars, and the interests are charged on a floating rate basis.

Since we are already diversified in many different currencies and the major Asian currencies are quite stable throughout the period, the Group's exposure to foreign exchange risk is minimal.



## **Employees and emoluments policies**

As at April 30, 2003, the Group employs a total of approximately 1,400 full time employees (year ended 31.10.2002:1,400) engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. To reduce the staff costs, the Group has localized its manpower in PRC operations and reduced the number of expatriates employed there. The staff costs incurred in the period was HK\$99.9 million (1.11.2001 to 30.4.2002: HK\$ 106 million). Out of the balance, HK\$3.2 million was a provision for unutilized annual leave in order to follow the new accounting standard as mentioned in Note 1.

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salaries trends in various regions, and will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

## **Prospects**

The effects of SARS on the exhibition business were also felt in May and June 2003. A profit warning was issued by the Company on April 25, 2003 regarding this. To alleviate the adverse impact of SARS on the Group's performance in the second half of the financial year, cost cutting measures were implemented including one month of no pay leave for all staff in China, Hong Kong and Singapore.

On a positive note, the SARS crisis has now been overcome and barring unforeseen circumstances, the exhibition business should recover fully when the second exhibition season of the year commences in August and reaches its peak in the autumn months. In particular, business has recovered to the pre SARS level in Vietnam, Malaysia and Thailand.

Before the end of the year under review, the Group expects to participate in one or two significant contracts to construct some of the theme areas inside the Hong Kong Disneyland. The Group is also pursuing several museum and interior fit-out projects in China, Singapore and Hong Kong.

Furthermore, the sign advertising business was not affected. It recorded an increase of almost 100% compared with the previous corresponding period. This is due to more multinational companies setting up retail outlets in China which generate a strong demand for standard, high quality and permanent signages which are produced by the Group in Shanghai and Beijing.

## DIRECTORS' INTERESTS IN SHARES

As at April 30, 2003, the directors and their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”):

Directors		Number of shares/ underlying shares held	
		Personal interests	Other interests
Mr. Lawrence Chia Song Huat	(Notes 1, 2)	3,206,200	217,057,393
Mr. James Chia Song Heng	(Notes 1, 3)	1,942,000	217,057,393
Mr. Yong Choon Kong	(Note 4)	2,154,800	–
Mr. Frank Lee Kee Wai		–	–
Mr. Gregory Robert Scott Crichton		–	–
Mr. Charlie Yucheng Shi		–	–

### Notes:

1. A total of 217,057,393 shares are held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust and Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.
2. The personal interest of Mr. Lawrence Chia Song Huat represents the interest in 1,081,000 shares and interest in 2,125,200 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share options”.
3. The personal interest of Mr. James Chia Song Heng represents the interest in 1,942,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share options”.
4. The personal interest of Mr. Yong Choon Kong represents the interest in 750,000 shares and interest in 1,404,800 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section “Share options”.

## **DIRECTORS' INTERESTS IN SHARES** (Cont'd)

Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng also have personal interests in 2,000 and 4,000 non-voting deferred shares, respectively in Pico International (HK) Limited, a subsidiary of the Company.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SHARE OPTIONS**

Pursuant to the Company's share option scheme ("1992 Scheme") adopted on September 4, 1992, the directors of the Company might grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. On January 7, 2002, ordinary resolutions were passed by shareholders at an extraordinary general meeting to terminate the 1992 Scheme and approve the adoption of new Share Option Scheme ("2002 Scheme") in order to fully comply with Chapter 17 of Hong Kong Listing Rules. The Board of Directors of the Company may, at their discretion, invite any Executive or Non-executive to be an Eligible person to whom share options will be granted as an incentive scheme for his contribution to the Group.

Upon adoption of the 2002 Scheme, no further options will be granted under the 1992 Scheme but in all other respects, the provisions of the 1992 Scheme shall remain in force and all options granted prior thereto shall continue to be valid and exercisable in accordance with the provisions of the 2002 Scheme. Despite the fact that no further options may be granted under 1992 Scheme, all other provisions of this scheme will remain in force to govern the exercise of all the options previously granted.

## SHARE OPTIONS (Cont'd)

### (i) Outstanding options

- (a) Details of outstanding options over new shares of the Company at the beginning and at the end of the period which have been granted under the 1992 Scheme are as follows:

Name of directors		Outstanding at November 1, 2002	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding at April 30, 2003
<i>Category 1: Directors</i>						
Mr. Lawrence Chia	(Note 1)	240,000	-	-	-	240,000
Song Huat	(Note 2)	745,200	-	-	-	745,200
Mr. James Chia Song Heng	(Note 1)	232,000	-	-	-	232,000
	(Note 2)	700,000	-	-	-	700,000
Mr. Yong Choon Kong	(Note 1)	168,000	-	-	-	168,000
	(Note 2)	516,800	-	-	-	516,800
Mr. Frank Lee Kee Wai		-	-	-	-	-
Mr. Gregory Robert Scott Crichton		-	-	-	-	-
Mr. Charlie Yucheng Shi		-	-	-	-	-
Total directors		<u>2,602,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,602,000</u>
<i>Category 2: Employees</i>						
	(Note 1)	4,168,000	-	-	-	4,168,000
	(Note 2)	4,941,800	-	-	-	4,941,800
Total employees		<u>9,109,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,109,800</u>
Total all categories		<u>11,711,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,711,800</u>

## SHARE OPTIONS (Cont'd)

- (b) Details of outstanding options over new shares of the Company at the beginning and at the end of the period which have been granted under the 2002 Scheme are as follows:

Name of directors	Outstanding at November 1, 2002	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding at April 30, 2003
<i>Category 1: Directors</i>					
Mr. Lawrence Chia (Note 3)	540,000	-	-	-	540,000
Song Huat (Note 6)	-	600,000	-	-	600,000
Mr. James Chia Song Heng (Note 3)	500,000	-	-	-	500,000
(Note 6)	-	510,000	-	-	510,000
Mr. Yong Choon Kong (Note 3)	360,000	-	-	-	360,000
(Note 6)	-	360,000	-	-	360,000
Mr. Frank Lee Kee Wai	-	-	-	-	-
Mr. Gregory Robert Scott Crichton	-	-	-	-	-
Mr. Charlie Yucheng Shi	-	-	-	-	-
Total directors	<u>1,400,000</u>	<u>1,470,000</u>	<u>-</u>	<u>-</u>	<u>2,870,000</u>
<i>Category 2: Employees</i>					
(Note 3)	4,590,000	-	-	-	4,590,000
(Notes 4, 7)	8,044,000	-	(2,752,000)	(72,000)	5,220,000
(Notes 5, 7)	102,000	-	(36,000)	-	66,000
(Note 6)	-	720,000	-	-	720,000
Total employees	<u>12,736,000</u>	<u>720,000</u>	<u>(2,788,000)</u>	<u>(72,000)</u>	<u>10,596,000</u>
Total all categories	<u>14,136,000</u>	<u>2,190,000</u>	<u>(2,788,000)</u>	<u>(72,000)</u>	<u>13,466,000</u>

### Notes:

- (1) The options were to be vested in four equal tranches on December 17, 1999, 2000, 2001 and 2002.

The first tranche vested on December 17, 1999 was exercisable after six months on May 17, 2000 and up to December 17, 2004.

The second, third and fourth tranches were exercisable when vested and exercisable up to December 17, 2004.

The exercise price is HK\$0.63 per share.

## SHARE OPTIONS (Cont'd)

- (2) The options were to vested in four equal tranches on December 17, 2000, 2001, 2002 and 2003.

The first tranche vested on December 17, 2000 was exercisable after six months on May 17, 2001 and up to December 17, 2005.

The second, third and fourth tranches were exercisable when vested and exercisable up to December 17, 2005.

The exercise price is HK\$0.49 per share.

- (3) The options were to vested in four equal tranches on January 14, 2002, 2003, 2004 and 2005.

The first tranche vested on January 14, 2002 was exercisable after one month on February 14, 2002 and up to January 14, 2007.

The second, third and fourth tranches were exercisable when vested and exercisable up to January 14, 2007.

The exercise price is HK\$0.604 per share.

- (4) The options were to vested in four equal tranches on April 30, November 1, 2002 and May 1, November 1, 2003.

The first tranche vested on April 30, 2002 was exercisable in the next business day on May 2, 2002 and up to April 30, 2007.

The second, third and fourth tranches were exercisable when vested and exercisable up to April 30, 2007.

The exercise price is HK\$0.50 per share.

- (5) The options were to vested in four equal tranches on June 11, November 1, 2002 and May 1, November 1, 2003.

The first tranche vested on June 11, 2002 was exercisable in the next business day on June 12, 2002 and up to June 11, 2007.

## **SHARE OPTIONS** (Cont'd)

The second, third and fourth tranches were exercisable when vested and exercisable up to June 11, 2007.

The exercise price is HK\$0.461 per share.

- (6) The options were to vested in four equal tranches on March 3, September 3, 2003 and March 3, September 3, 2004.

The first tranche vested on March 3, 2003 was exercisable in the next business day on March 4, 2003 and up to March 3, 2008.

The second, third and fourth tranches were exercisable when vested and exercisable up to March 3, 2008.

The exercise price is HK\$0.32 per share. The date of grant was March 3, 2003, and the closing price of share immediately before the date of grant was HK\$0.32.

- (7) The weighted average closing price of shares immediately before the date on which the options were exercised by employees is HK\$0.3 per share.

### **(ii) Valuation of share options**

The options granted are not recognised in the accounts until they are exercised. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at April 30, 2003, the following persons (other than a director of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name of Shareholder</b>		<b>Number of shares/ underlying shares held</b>
Nastar Holdings S.A.	<i>(Note 1)</i>	217,057,393
Pine Asset Management Limited		183,424,030
Chia Song Piyau	<i>(Note 2)</i>	49,610,000
Pine Financial Services Ltd		37,125,000
Oaktree Capital Management, LLC	<i>(Note 3)</i>	48,766,000
OCM Emerging Markets Fund, LP. ("EMF")		48,766,000

### *Notes:*

- 1 These shares are mainly held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust of which Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.
- 2 The interest disclosed is comprised of 54,000 share options and 49,556,000 ordinary shares of the Company. These shares are mainly held through Pine Financial Services Ltd and other companies which are controlled by Mr. Chia Song Piyau.
- 3 These shares are held through OCM Emerging Markets Fund, LP.. Oaktree Capital Management, LLC is the sole general partner of the fund mentioned above and has the sole ability to manage and control the investments of the fund and is the only partner generally liable for the debts of the fund.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at April 30, 2003.



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period ended April 30, 2003, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 732,000 shares of HK\$0.1 each at an aggregate price of HK\$218,750 (the highest/lowest price per share paid: HK\$0.31/0.295). The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by HK\$73,200 thereof. The premium payable on repurchase was HK\$145,550 charged against the retained earnings and an amount HK\$73,200 of shares cancelled was transferred from retained earnings to capital redemption reserve.

Save as disclosed above, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with provisions of the Articles of Association of the Company. In the opinion of the Directors, it meets the same objective as the Code of Best Practice.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financials.

By Order of the Board  
**Lo Wing Sang**  
*Company Secretary*

Hong Kong, July 23, 2003