

MULTIMEDIA

EXHIBITIONS

EVENTS &  
PROMOTIONS

PERMANENT  
EXHIBITS

INTERIOR  
ARCHITECTURE  
& ADVERTISING  
SIGNAGE

CONFERENCES  
& MEETINGS

Interim  
Report  
2004



a g l o b a l  
E v e n t  
M a r k e t i n g  
c o m p a n y



**PICO FAR EAST HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

**UNAUDITED 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, 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended April 30, 2004

		<b>For the six months ended April 30,</b>	
	<i>Note</i>	<b>2004 Unaudited HK\$'000</b>	<b>2003 Unaudited HK\$'000</b>
Turnover	2	<b>581,090</b>	427,495
Cost of sales		<b>(396,352)</b>	(278,612)
Gross profit		<b>184,738</b>	148,883
Other revenue		<b>7,500</b>	7,342
Distribution costs		<b>(74,749)</b>	(71,884)
Administrative expenses		<b>(90,015)</b>	(87,854)
Other operating expenses		<b>(4,773)</b>	(5,681)
Profit (Loss) from operations	3	<b>22,701</b>	(9,194)
Finance costs	4	<b>(1,603)</b>	(1,949)
		<b>21,098</b>	(11,143)
Share of results of associates		<b>7,468</b>	2,986
Gain on partial disposal of an associate		<b>1,809</b>	–
Gain on deemed disposal of an associate		<b>4,301</b>	–
Building and inventory loss on fire accident	18	<b>(4,611)</b>	–
Profit (Loss) before taxation		<b>30,065</b>	(8,157)
Taxation	5	<b>(9,051)</b>	(3,961)
Profit (Loss) before minority interests		<b>21,014</b>	(12,118)
Minority interests		<b>(1,963)</b>	(1,750)
<b>Net profit (loss) for the period</b>		<b>19,051</b>	(13,868)
Dividends	6	<b>(11,142)</b>	(8,255)
<b>EARNINGS (LOSS) PER SHARE</b>	7		
Basic		<b>3.42 cents</b>	(2.52) cents
Diluted		<b>3.41 cents</b>	(2.52) cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

At April 30, 2004

	<i>Note</i>	<b>April 30, 2004 Unaudited HK\$'000</b>	October 31, 2003 Audited (Restated) HK\$'000
<b>Non-current Assets</b>			
Investment properties		20,940	20,940
Property, plant and equipment	8	314,255	317,581
Goodwill	8	4,250	4,303
Interests in associates		31,072	24,165
Non-trading securities	9	7,102	7,540
Other receivables		23,229	26,085
		<b>400,848</b>	400,614
<b>Current</b>			
Inventories		15,596	16,849
Contract work in progress		21,933	6,324
Debtors, deposits and prepayments	10	312,404	347,318
Amounts due from associates		6,368	4,706
Taxation recoverable		912	1,847
Pledged bank deposits		22,102	22,171
Bank balances and cash		205,772	156,372
		<b>585,087</b>	555,587
<b>Current Liabilities</b>			
Payments received on account		75,597	68,577
Creditors and accrued charges	11	310,381	288,777
Amounts due to associates		2,214	1,635
Taxation payable		11,714	8,552
Borrowings		61,668	79,479
Dividend payable	6	11,142	–
		<b>472,716</b>	447,020
<b>Net Current Assets</b>		<b>112,371</b>	108,567
<b>Total Assets Less Current Liabilities</b>		<b>513,219</b>	509,181
<b>Capital and Reserves</b>			
Share capital	12	55,712	55,489
Other reserves		127,055	121,117
Retained earnings			
Proposed final dividend		–	11,142
Others		258,118	240,962
<b>Shareholders' Funds</b>		<b>440,885</b>	428,710
<b>Minority Interests</b>		<b>38,789</b>	39,419
<b>Non-current Liabilities</b>			
Borrowings		21,348	28,721
Deferred taxation		12,197	12,331
		<b>33,545</b>	41,052
		<b>513,219</b>	509,181

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended April 30, 2004

		For the six months ended April 30,	
	<i>Note</i>	2004 Unaudited <i>HK\$'000</i>	2003 Unaudited <i>HK\$'000</i>
At the beginning of the period, as previously reported		<b>436,492</b>	424,128
Effect of adopting SSAP 12 (revised)	<i>13</i>	<b>(7,782)</b>	(7,782)
		<b>428,710</b>	416,346
Surplus (deficit) on revaluation of investments in securities		<b>450</b>	(6)
Exchange differences arising on translation of overseas operations		<b>3,259</b>	1,210
Net gains not recognised in the consolidated income statement		<b>3,709</b>	1,204
Net profit (loss) for the period		<b>19,051</b>	(13,868)
Dividends		<b>(11,142)</b>	(8,255)
Shares issued at premium on exercise of share options		<b>1,976</b>	1,393
Repurchase of shares at premium		<b>(1,419)</b>	(218)
At the end of the period		<b>440,885</b>	396,602

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended April 30, 2004

	For the six months ended April 30,	
	2004	2003
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow (outflow) from operating activities	<b>77,153</b>	(15,966)
Net cash outflow from investing activities	<b>(1,122)</b>	(4,219)
Net cash inflow (outflow) before financing activities	<b>76,031</b>	(20,185)
Net cash outflow from financing activities	<b>(23,698)</b>	(4,550)
Increase (decrease) in cash and cash equivalents	<b>52,333</b>	(24,735)
Cash and cash equivalents at beginning of the period	<b>150,843</b>	176,552
Effect of foreign exchange rate changes, net	<b>1,180</b>	893
Cash and cash equivalents at end of the period	<b>204,356</b>	152,710

Analysis of the balances of cash and cash equivalents

	For the six months ended April 30,	
	2004	2003
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash	<b>205,772</b>	159,094
Bank overdrafts	<b>(1,416)</b>	(6,384)
Cash and cash equivalents at end of the period	<b>204,356</b>	152,710

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****For the six months ended April 30, 2004****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 2003 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, 2003, except for the adoption of SSAP 12 (revised) "Income Taxes" issued by the HKSA which becomes effective in the current period.

The principal effect of the implementation of SSAP 12 (revised) "Income Taxes" is in relation to deferred tax. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (revised) had no material effect on the results for the current or prior accounting periods, except for a prior period adjustment whereby both goodwill reserve and deferred tax liability are increased by HK\$7.8 million.

## 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 exhibitions and conferences, exhibition hall management and its related business and other activities. Revenues recognised during the period are as follows:

	<b>For the six months ended April 30,</b>	
	<b>2004</b>	2003
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Exhibition and exhibition related businesses	<b>490,228</b>	348,708
Museum interior fit-outs	<b>21,584</b>	23,111
Sign advertising	<b>29,401</b>	34,517
Exhibition and conference organiser	<b>24,837</b>	8,890
Exhibition hall management and its related businesses	<b>12,367</b>	10,404
Other activities	<b>2,673</b>	1,865
	<b>581,090</b>	427,495

The segmental information for the period ended April 30, 2003 has been reclassified to conform with the current period's presentation.

### Primary reporting format – geographical segments

The Group operates, through its subsidiaries or associates on a worldwide basis, and mainly in three major geographical areas – Greater China (including Hong Kong, Mainland China and Taiwan), Asia other than Greater China (mainly Singapore, Malaysia, Japan, Middle East, South Korea, Vietnam, etc), and other countries including Americas, United Kingdom and France.

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's business is mainly categorised into five main business segments:

- Exhibition and exhibition related businesses;
- Museum interior fit-outs;
- Sign advertising;
- Exhibition and conference organiser; and
- Exhibition hall management and its related businesses.

Other activities of the Group include leasing of properties, tools and equipment, and provision of other services.

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

## (i) Primary reporting format – geographical segments

## Income Statement

For the six months ended April 30, 2004

	Greater China Unaudited HK\$'000	Asia other than Greater China Unaudited HK\$'000	Others Unaudited HK\$'000	Elimination Unaudited HK\$'000	Group Unaudited HK\$'000
REVENUE					
External sales	259,084	245,158	76,848	-	581,090
Inter-segment sales	56,004	9,996	568	(66,568)	-
Total revenue	<u>315,088</u>	<u>255,154</u>	<u>77,416</u>	<u>(66,568)</u>	<u>581,090</u>

Inter-segment sales are charged at prevailing market rates.

## RESULT

Segment results	<u>10,359</u>	<u>16,647</u>	<u>4,317</u>		<u>31,323</u>
Interest income					706
Unallocated costs					<u>(9,328)</u>
Profit from operations					22,701
Finance costs					(1,603)
Share of results of associates	5,170	2,298	-		7,468
Gain on partial disposal of an associate					1,809
Gain on deemed disposal of an associate					4,301
Building and inventory loss on fire accident					<u>(4,611)</u>
Profit before taxation					30,065
Taxation					<u>(9,051)</u>
Profit after taxation					<u>21,014</u>



2. **TURNOVER AND SEGMENT INFORMATION (Cont'd)**(i) **Primary reporting format – geographical segments (Cont'd)****Income Statement****For the six months ended April, 30 2003**

	Greater China Unaudited HK\$'000	Asia other than Greater China Unaudited HK\$'000	Others Unaudited HK\$'000	Elimination Unaudited HK\$'000	Group Unaudited HK\$'000
REVENUE					
External sales	188,819	189,158	49,518	-	427,495
Inter-segment sales	45,602	20,290	472	(66,364)	-
<b>Total revenue</b>	<b>234,421</b>	<b>209,448</b>	<b>49,990</b>	<b>(66,364)</b>	<b>427,495</b>

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment results	(1,583)	1,852	700		969
Interest income					888
Unallocated costs					(11,051)
Loss from operations					(9,194)
Finance costs					(1,949)
Share of results of associates	1,305	1,681	-		2,986
Loss before taxation					(8,157)
Taxation					(3,961)
<b>Loss after taxation</b>					<b>(12,118)</b>

The segmental information for the period ended April 30, 2003 has been reclassified to conform with the current period's presentation.

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

## (ii) Secondary reporting format – business segments

	Turnover		Profit (Loss) from operations	
	For the six months ended April 30,		For the six months ended April 30,	
	2004	2003	2004	2003
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exhibition and exhibition related business	490,228	348,708	26,689	(2,277)
Museum interior fit-outs	21,584	23,111	(5,555)	1,304
Sign advertising	29,401	34,517	1,759	2,900
Exhibition and conference organiser	24,837	8,890	4,271	(2,208)
Exhibition hall management and its related business	12,367	10,404	3,454	2,255
Other activities	2,673	1,865	705	(1,005)
	<b>581,090</b>	427,495	<b>31,323</b>	969
Interest income			706	888
Unallocated costs			(9,328)	(11,051)
Profit (loss) from operations			<b>22,701</b>	(9,194)

The segmental information for the period ended April 30, 2003 has been reclassified to conform with the current period's presentation.

**3. PROFIT (LOSS) FROM OPERATIONS**

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

	<b>For the six months ended April 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation:		
Assets owned by the Group	12,754	13,781
Assets held under finance lease and hire purchase contracts	421	668
	<b>13,175</b>	<b>14,449</b>
Provision for bad and doubtful debts	4,704	4,253
Amortisation of goodwill	117	116
Loss on disposal of property, plant and equipment	165	559
Loss on disposal of an investment property	-	474
Revaluation deficit of an investment property	-	4,120
Loss on disposal of a subsidiary ( <i>Note 14</i> )	238	-
Provision for project loan receivable	4,000	-
and after crediting:		
Interest income	706	888
Profit on disposal of property, plant and equipment	117	683

**4. FINANCE COSTS**

	<b>For the six months ended April 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank borrowings wholly repayable within five years	1,447	1,601
Bank borrowings not wholly repayable within five years	105	269
	<b>1,552</b>	<b>1,870</b>
Finance charges in respect of finance leases and hire purchase contracts	51	79
Total borrowing costs	<b>1,603</b>	<b>1,949</b>

## 5. TAXATION

	For the six months ended April 30,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
The charge comprises:		
Profits Tax for the period		
Hong Kong	1,679	38
Overseas	6,054	3,659
Under (Over) provision in prior periods		
Hong Kong	–	(125)
Overseas	273	(54)
	<b>8,006</b>	<b>3,518</b>
Share of tax on results of associates	1,246	443
	<b>9,252</b>	<b>3,961</b>
Deferred taxation	(201)	–
	<b>9,051</b>	<b>3,961</b>

Hong Kong Profits Tax is calculated at 17.5% (1.11.2002 to 30.4.2003: 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.

## 6. DIVIDENDS

	For the six months ended April 30,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
2003 final dividend – HK2 cents per share (2002 final: HK1.5 cents per share)	11,142	8,255

*Notes:*

- (a) The final dividends of the years ended October 31, 2003 and October 31, 2002 of HK\$11,142,000 and HK\$8,255,000 respectively, were approved after the balance sheet date. Under the Group's accounting policy, they were 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, 2004 (1.11.2002 to 30.4.2003: nil).

## 7. EARNINGS (LOSS) PER SHARE

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

	For the six months ended April 30,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Earnings (Loss) for the purposes of basic and diluted earnings per share	19,051	(13,868)
Weighted average number of ordinary shares for the purposes of basic earnings per share	557,110,280	550,457,086
Effect of dilutive potential ordinary shares in respect of options	2,272,796	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	559,383,076	550,457,086

**8. CAPITAL EXPENDITURE**

	<b>Property, plant and equipment Unaudited HK\$'000</b>	<b>Goodwill Unaudited HK\$'000</b>
6 months ended April 30, 2004		
Opening net book amount	<b>317,581</b>	<b>4,303</b>
Additions	<b>7,755</b>	<b>52</b>
Disposals	<b>(292)</b>	<b>–</b>
Reduction on disposal of subsidiaries	<b>(854)</b>	<b>–</b>
Depreciation charge/amortisation	<b>(13,175)</b>	<b>(117)</b>
Exchange adjustments	<b>3,240</b>	<b>12</b>
	<hr/>	<hr/>
Closing net book amount	<b>314,255</b>	<b>4,250</b>
	<hr/> <hr/>	<hr/> <hr/>

**9. NON-TRADING SECURITIES**

	<b>April 30, 2004 Unaudited HK\$'000</b>	<b>October 31, 2003 Audited HK\$'000</b>
Club debentures	<b>5,675</b>	5,736
Other securities, unlisted ( <i>Note</i> )	<b>287</b>	286
Other securities, listed in Hong Kong	<b>1,140</b>	1,518
	<hr/>	<hr/>
	<b>7,102</b>	7,540
	<hr/> <hr/>	<hr/> <hr/>
Market value of listed other securities	<b>1,140</b>	1,518
	<hr/> <hr/>	<hr/> <hr/>

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

**10. 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\$244,168,000 (year ended 31.10.2003: HK\$296,913,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30, 2004 Unaudited HK\$'000</b>	October 31, 2003 Audited HK\$'000
0 – 90 days	<b>189,661</b>	249,107
91 – 180 days	<b>31,222</b>	22,332
181 – 365 days	<b>16,618</b>	17,742
More than 1 year	<b>6,667</b>	7,732
	<b>244,168</b>	296,913

**11. CREDITORS AND ACCRUED CHARGES**

Included in creditors and accrued charges are trade creditors of approximately HK\$132,761,000 (year ended 31.10.2003: HK\$136,714,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30, 2004 Unaudited HK\$'000</b>	October 31, 2003 Audited HK\$'000
0 – 90 days	<b>110,299</b>	116,703
91 – 180 days	<b>14,515</b>	9,105
181 – 365 days	<b>3,118</b>	6,304
More than 1 year	<b>4,829</b>	4,602
	<b>132,761</b>	136,714

12. SHARE CAPITAL

Number of shares		Share capital	
April 30, 2004 Unaudited	October 31, 2003 Audited	April 30, 2004 Unaudited HK\$'000	October 31, 2003 Audited HK\$'000

Ordinary shares of HK\$0.1 each:

Authorised:

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

Issued and fully paid:

At beginning of the period/year	554,891,252	548,271,252	55,489	54,827
Exercise of share options (Note a)	5,386,000	8,522,000	539	852
Repurchase and cancellation of shares (Note b)	(3,160,000)	(1,902,000)	(316)	(190)

At end of the period/year	557,117,252	554,891,252	55,712	55,489
---------------------------	-------------	-------------	--------	--------

Notes:

- (a) During the period, 2,374,000, 30,000 and 2,982,000 shares were issued at HK\$0.5, HK\$0.461 and HK\$0.26 per share respectively as a result of the exercise of share options of the Company.
- (b) During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited pursuant to the Company's share repurchase mandate granted on February 27, 2004 as follows:

Month of repurchase	No. of ordinary Shares of HK\$0.1 each	Price per shares		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
November 2003	3,160,000	0.47	0.39	1,419,230

The repurchased shares were cancelled and accordingly, the issued share capital was reduced by the nominal value thereof. The premium payable on repurchase was charged against retained earnings of the Company.



13. CAPITAL AND RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Legal reserve HK\$'000	Translation Reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
THE GROUP										
At November 1, 2002										
- previously reported	54,827	599,641	247	(11,998)	(2,458)	(412,024)	1,148	(53,525)	248,270	424,128
- adjustment on adoption of SSAP12 (Revised) (Note 1)	-	-	-	-	-	(7,782)	-	-	-	(7,782)
- as restated	54,827	599,641	247	(11,998)	(2,458)	(419,806)	1,148	(53,525)	248,270	416,346
Shares issued at premium	852	2,681	-	-	-	-	-	-	-	3,533
Premium on repurchase of shares	-	-	-	-	-	-	-	-	(499)	(499)
Repurchase of shares	(190)	-	-	-	-	-	-	-	-	(190)
Transfer upon cancellation of shares	-	-	190	-	-	-	-	-	(190)	-
Surplus on revaluation of non-trading securities	-	-	-	-	659	-	-	-	-	659
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	4,196	-	4,196
Transfer	-	-	-	-	-	-	16	126	(142)	-
Net profit for the year	-	-	-	-	-	-	-	-	12,920	12,920
2002 final dividend	-	-	-	-	-	-	-	-	(8,255)	(8,255)
At October 31, 2003										
- (audited and restated)	55,489	602,322	437	(11,998)	(1,799)	(419,806)	1,164	(49,203)	252,104	428,710
Shares issued at premium	539	1,437	-	-	-	-	-	-	-	1,976
Premium on repurchase of shares	-	-	-	-	-	-	-	-	(1,103)	(1,103)
Repurchase of shares	(316)	-	-	-	-	-	-	-	-	(316)
Transfer upon cancellation of shares	-	-	316	-	-	-	-	-	(316)	-
Surplus on revaluation of non-trading securities	-	-	-	-	450	-	-	-	-	450
Exchange difference arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	3,259	-	3,259
Transfer	-	-	-	476	-	-	(4)	4	(476)	-
Net profit for the period	-	-	-	-	-	-	-	-	19,051	19,051
2003 final dividend	-	-	-	-	-	-	-	-	(11,142)	(11,142)
At April 30, 2004 (unaudited)	55,712	603,759	753	(11,522)	(1,349)	(419,806)	1,160	(45,940)	258,118	440,885

**14. DISPOSAL OF A SUBSIDIARY**

**April 30, 2004**  
**Unaudited**  
**HK\$'000**

Net assets disposed of	707
Loss on disposal of a subsidiary	(238)
	469
Satisfied by:	
Cash consideration	469
Net cash inflow arising on disposal:	
Cash consideration	469
Bank balances and cash disposed of	(10)
	459

The subsidiary disposed of during the period ended April 30, 2004 did not have significant contribution to the Group's cash flows or operating results.

**15. PLEDGE OF ASSETS**

At April 30, 2004, the Group has pledged bank deposits of approximately HK\$22 million (year ended 31.10.2003: HK\$22 million), land and buildings, investment properties, accounts receivable, inventories and property and equipment with aggregate net book values of approximately HK\$243 million (year ended 31.10.2003: HK\$242 million), HK\$13 million (year ended 31.10.2003: HK\$13 million), nil (year ended 31.10.2003: HK\$13 million), nil (year ended 31.10.2003: HK\$1 million) and nil (year ended 31.10.2003: HK\$2 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, 2004 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:

	<b>April 30, 2004</b>		<b>October 31, 2003</b>	
	<b>Rented</b>		<b>Rented</b>	
	<b>premises</b>	<b>Equipment</b>	<b>premises</b>	<b>Equipment</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>10,808</b>	<b>296</b>	8,674	332
In the second to fifth year inclusive	<b>32,498</b>	<b>324</b>	33,199	460
Over five years	<b>119,633</b>	<b>-</b>	127,412	-
	<b>162,939</b>	<b>620</b>	169,285	792

**(ii) Capital Commitments**

The Group did not have significant capital commitments at the date of report.

**17. CONTINGENT LIABILITIES**

The Group and the Company have executed guarantees in proportion to their shareholdings in these companies to certain banks for facilities granted to them at the end of the period as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>April 30,</b>	<b>October 31,</b>	<b>April 30,</b>	<b>October 31,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Guarantees given to banks in respect of banking facilities granted to				
- subsidiaries and related companies	-	-	<b>382,610</b>	445,756
- associates	<b>4,000</b>	4,000	-	-
- investee company	<b>4,000</b>	18,025	-	-
	<b>8,000</b>	22,025	<b>382,610</b>	445,756

**18. CONTINGENT ASSETS**

On March 25, 2004, a fire broke out at the warehouse of Pico Building, Tai Po Industrial Estate. The damage included the building and the inventory which were estimated to have a book value of about HK\$4.6 million. The Group has lodged a claim with the relevant insurer which has also confirmed indemnity in respect of the claim. Quantification of loss for purpose of the insurance claim (to reinstate the building and replace inventory) is being processed for the said purpose. It is unknown as at this date to provide an estimate in respect of the actual amount of recovery from the insurer, but it is contemplated that the insurer will reimburse the Group of such loss.

**19. RELATED PARTY TRANSACTIONS**

	For the six months ended April 30, 2004					As at April 30, 2004		
	Exhibition income	Subcontracting fee paid	Management fee income	Furniture rental paid	Property rental paid	Receivable	Payable	Guarantee given to bank
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates (Note 1)	2,255	1,063	1,795	685	-	6,368	2,214	4,000
Related companies (Note 2)	-	-	-	-	486	10	70	-

  

	For the six months ended April 30, 2003					As at October 31, 2003		
	Exhibition income	Subcontracting fee paid	Management fee income	Furniture rental paid	Property rental paid	Receivable	Payable	Guarantee given to bank
	Unaudited	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)	1,330	500	1,096	677	-	4,706	1,636	4,000
Related companies (Note 2)	-	-	-	-	423	4	136	-

**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 DIVIDEND

The Board does not recommend the payment of interim dividend for the period ended April 30, 2004 (1.11.2002 to 30.4.2003: nil).

## BUSINESS REVIEW AND PROSPECTS

### Result

The Group registered good results for the six months ended April 30, 2004. During the period, business turnover increased by about HK\$154 million, which is 36% higher than the previous corresponding period. Net profit for the period also improved to about HK\$19 million (1.11.2002 to 30.4.2003: a loss of HK\$14 million). The improvement in our results was due mainly to the rapid recovery of the convention and exhibition business in the whole of Asia after the end of the Severe Acute Respiratory Syndrome (“SARS”) outbreak in the second half of last year.

During the period, the Group completed several large projects such as:

1. the “Asian Pacific Leather Fair 2004” in March 2004 which was held in Hong Kong;
2. the “WSA (Spring) 2004” held in February 2004 in Las Vegas;
3. the “Liquefied Natural Gas 14” held in March 2004 in Abu Dhabi;
4. the “Taipei International Auto Show” held in January 2004 in Taiwan;
5. the “Asian Aerospace 2004” held in February 2004 in Singapore.

In April 2004, the associated company of the Group, Pico (Thailand) Public Company Limited, was successfully listed in The Stock Exchange of Thailand. The Group reduced its shares in the associate from 49% to 30% and recorded a gain of HK\$4.3 million on deemed disposal.

## Liquidity and financial information

At April 30, 2004, the liquidity ratios of the Group were as follows:

		<b>April 30, 2004</b>	October 31, 2003
(i)	Current ratio <i>(Current assets/Current liabilities)</i>	<b>1.24</b>	1.24
(ii)	Liquidity ratio <i>(Current assets – excluding inventory and contract work in progress/Current liabilities)</i>	<b>1.16</b>	1.19
(iii)	Gearing ratio <i>(Long term borrowings/Total assets)</i>	<b>2.17%</b>	3%

The current ratio, liquidity ratio and gearing ratio of the Group as shown above continue to be very healthy. We will continue to maintain a low gearing ratio to preserve the sound financial position of the Group.

The Group's cash and bank balances including pledged bank deposits as at April 30, 2004 have improved from HK\$178 million in 2003 to HK\$228 million. Correspondingly, the Group's total borrowings due within one year were reduced to HK\$62 million (year ended 31.10.2003: HK\$79 million), and the remaining portion due more than one year were reduced to HK\$21 million (year ended 31.10.2003: HK\$29 million). Upon our continuing control on the capital expenditure and the growth of business during the period, the cash and cash equivalents at the end of the period has increased by HK\$52 million or approximately 34% of the cash and cash equivalents at the end of the last period. All in all, our existing sound financial position can facilitate the Group to capitalize on any business expansion and investment opportunities in the future.

Although our subsidiaries are located in many different countries of the world, over 73% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining approximately 27% were denominated in other Asian currencies and European 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, 2004, the Group employs a total of approximately 1,300 full time employees (year ended 31.10.2003: 1,300) 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 continued to localize its manpower in PRC operations and reduced the number of expatriates employed there. The staff costs incurred in the period was HK\$104 million (1.11.2002 to 30.4.2003: HK\$100 million).

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 prospects of the exhibition industry are good and the Group should continue to do well barring unforeseen events which may cause a short term shock to its performance, such as the outbreak of the SARS in 2003.

In the fitting out business, the Group is involved in a few subcontracts to construct theme areas inside the Hong Kong Disneyland. The Group is also pursuing several museum and interior fit-out projects in China, Singapore, Hong Kong and the Middle East.

As for Conferences and Show Organisation, the Group operates this business through its subsidiaries under the "Meeting Planners" name. The Group is now engaged in the planning, organisation, and execution of the ITMA 2005 which will be held in Singapore in October 2005.

In addition, the Group is now involved in a project to construct temporary facilities at the Athens Olympics 2004. This contract is worth about US\$20 million and the Group has a 40% interest in the joint venture consortium.

Based on the results that have been achieved during the period, the Directors believe that the business is robust and the Group should continue to do well to the end of the financial year.

**DIRECTORS' INTERESTS IN SHARES**

As at April 30, 2004, 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 and nature of interests	
		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".

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 and underlying shares of the Company.



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

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**

Under the Company's employee Share Option Scheme adopted on September 4, 1992 ("1992 Scheme"), the Company granted options to employees (including Directors) of the Company or 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. Options granted are exercisable at any time during the period commencing six months after the offer date and expiring on the close of business on the fifth anniversary of that offer date. The exercise price is determined by the Directors, and shall not be less than 80% of the average closing prices of the shares for the five trading days immediately preceding to the offer date. The 1992 Scheme was terminated by shareholders at an Extraordinary General Meeting of the Company on January 7, 2002. Despite the fact that no further options may be granted thereunder, all other provisions of the 1992 Scheme will remain in force to govern the exercise of all the options previously granted.

On January 7, 2002, an ordinary resolution approving the adoption of 2002 Scheme was passed by shareholders at an Extraordinary General Meeting of the Company. Under the 2002 Scheme, the Company may grant options to Eligible Person as defined in the Report of the Directors to subscribe for shares in the Company, subject to a maximum number of shares available for issue under options which may be granted thereunder is 54,545,725, representing 10% of the issued share capital of the Company as at the date of adoption of the 2002 Scheme. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an Eligible Person, which must be a business day; the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and the nominal value of the shares on the offer date.

**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, 2003	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, 2004
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Note 1)	240,000	-	-	-	240,000
	(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
Total Directors		2,602,000	-	-	-	2,602,000
<i>Category 2: Employees</i>						
	(Note 1)	4,168,000	-	-	-	4,168,000
	(Note 2)	4,941,800	-	-	-	4,941,800
Total employees		9,109,800	-	-	-	9,109,800
Total all categories		11,711,800	-	-	-	11,711,800

**SHARE OPTIONS** (Cont'd)**(i) Outstanding 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, 2003	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, 2004
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Note 3)	540,000	-	-	-	540,000
	(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
Total Directors		2,870,000	-	-	-	2,870,000
<i>Category 2: Employees</i>						
	(Note 3)	4,590,000	-	-	-	4,590,000
	(Notes 4, 8)	2,374,000	-	(2,374,000)	-	-
	(Notes 5, 8)	30,000	-	(30,000)	-	-
	(Note 6)	4,520,000	-	-	-	4,520,000
	(Note 7, 8)	8,732,000	-	(2,982,000)	(428,000)	5,322,000
Total employees		20,246,000	-	(5,386,000)	(428,000)	14,432,000
Total all categories		23,116,000	-	(5,386,000)	(428,000)	17,302,000

*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)****(i) Outstanding options (Cont'd)**

- (2) The options were to be 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 be 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 be 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 be 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.

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.

**SHARE OPTIONS (Cont'd)****(i) Outstanding options (Cont'd)**

- (6) The options were to be 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.
- (7) The options were to be vested in four equal tranches on May 27, November 3, 2003 and May 3, November 1, 2004.
- The first tranche vested on May 27, 2003 was exercisable in the next business day on May 28, 2003 and up to May 27, 2008.
- The second, third and fourth tranches were exercisable when vested and exercisable up to May 27, 2008.
- The exercise price is HK\$0.26 per share.
- (8) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$0.27.

**(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, 2004, 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:

Name of Shareholder		Number of shares/ Underlying shares held
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 shares are held by Pine Financial Services Ltd and some 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, 2004.

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

During the period ended April 30, 2004, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 3,160,000 shares of HK\$0.1 each at an aggregate price of HK\$1,419,230 (the highest/lowest price per share paid: HK\$0.47/0.39). The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by HK\$316,000 thereof. The premium payable on repurchase was HK\$1,103,230 charged against the retained earnings and an amount HK\$316,000 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 22, 2004