

Interim Report 2011



# *Change to Lead*

## 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, 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2011

		<b>For the six months ended April 30,</b>	
		<b>2011</b>	2010
	<i>Note</i>	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
Turnover	2	<b>1,394,445</b>	1,460,422
Cost of sales		<b>(944,667)</b>	(1,064,320)
Gross profit		<b>449,778</b>	396,102
Other income		<b>22,079</b>	19,055
Distribution costs		<b>(186,991)</b>	(155,208)
Administrative expenses		<b>(185,152)</b>	(167,174)
Other operating expenses		<b>(64)</b>	(291)
Profit from operations		<b>99,650</b>	92,484
Finance costs	3	<b>(1,338)</b>	(1,988)
Share of profits of associates		<b>98,312</b>	90,496
Share of (losses) profits of jointly controlled entities		<b>11,631</b>	1,527
		<b>(899)</b>	8,984
Profit before tax		<b>109,044</b>	101,007
Income tax expense	4	<b>(23,389)</b>	(16,930)
Profit for the period	5	<b>85,655</b>	84,077
Attributable to:			
Owners of the Company		<b>82,100</b>	81,280
Non-controlling interests		<b>3,555</b>	2,797
		<b>85,655</b>	84,077
<b>EARNINGS PER SHARE</b>	7		
Basic		<b>6.78 cents</b>	6.79 cents
Diluted		<b>6.77 cents</b>	6.77 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2011

	For the six months ended April 30,	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	<b>85,655</b>	84,077
Other comprehensive income:		
Exchange differences on translating foreign operations	<b>37,799</b>	16,127
Other comprehensive income for the period, net of tax	<b>37,799</b>	16,127
Total comprehensive income for the period	<b>123,454</b>	100,204
Attributable to:		
Owners of the Company	<b>119,619</b>	94,765
Non-controlling interests	<b>3,835</b>	5,439
	<b>123,454</b>	100,204

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2011

		April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited and restated HK\$'000	November 1, 2009 Audited and restated HK\$'000
	Note			
<b>Non-current Assets</b>				
Investment properties		178,877	171,594	54,121
Property, plant and equipment	8	323,482	326,831	373,135
Prepaid land lease payments		73,505	14,130	14,194
Intangible assets	8	10,287	10,595	11,172
Interests in jointly controlled entities		10,426	15,371	17,775
Interests in associates		145,576	132,439	127,090
Club membership		5,003	4,859	4,795
Available-for-sale financial assets	9	5,558	11,892	4,920
Deferred tax assets		553	524	430
		<b>753,267</b>	688,235	607,632
<b>Current Assets</b>				
Inventories		16,815	12,961	10,730
Contract work in progress		5,333	15,086	40,102
Debtors, deposits and prepayments	10	872,539	844,693	647,254
Amounts due from associates		12,627	12,220	10,228
Amounts due from jointly controlled entities		1,749	13,650	9,561
Current tax assets		5,483	3,129	1,506
Pledged bank deposits		14,026	964	4,158
Bank and cash balances		1,106,206	822,776	620,123
		<b>2,034,778</b>	1,725,479	1,343,662
<b>Current Liabilities</b>				
Payments received on account		401,484	191,652	182,394
Creditors and accrued charges	11	913,279	866,925	591,221
Amounts due to associates		7,168	3,459	2,520
Amounts due to jointly controlled entities		5,583	4,786	27
Current tax liabilities		46,807	55,334	30,128
Borrowings		116,646	24,773	53,918
Finance lease obligations		646	1,235	1,690
		<b>1,491,613</b>	1,148,164	861,898
<b>Net Current Assets</b>				
		<b>543,165</b>	577,315	481,764
<b>Total Assets Less Current Liabilities</b>				
		<b>1,296,432</b>	1,265,550	1,089,396

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At April 30, 2011

	Note	<b>April 30, 2011 Unaudited HK\$'000</b>	October 31, 2010 Audited and restated HK\$'000	November 1, 2009 Audited and restated HK\$'000
<b>Non-current Liabilities</b>				
Borrowings		—	28,760	39,614
Finance lease obligations		<b>422</b>	833	1,448
Deferred tax liabilities		<b>28,216</b>	26,516	16,886
		<b>28,638</b>	56,109	57,948
<b>Net Assets</b>		<b>1,267,794</b>	1,209,441	1,031,448
<b>Capital and Reserves</b>				
Share capital	12	<b>60,576</b>	60,354	59,811
Reserves		<b>1,126,850</b>	1,069,071	902,281
<b>Equity attributable to owners of the Company</b>		<b>1,187,426</b>	1,129,425	962,092
<b>Non-controlling interests</b>		<b>80,368</b>	80,016	69,356
<b>Total Equity</b>		<b>1,267,794</b>	1,209,441	1,031,448

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2011

	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Equity-settled	Goodwill reserve	Legal reserve	Investment revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
					share-based payment reserve								
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At November 1, 2010 (Audited)	60,354	712,138	753	(11,766)	6,263	(419,083)	11,100	—	74,132	695,534	1,129,425	80,016	1,209,441
Total comprehensive income for the period	—	—	—	—	—	—	—	—	37,519	82,100	119,619	3,835	123,454
Shares issued at premium	222	4,176	—	—	—	—	—	—	—	—	4,398	—	4,398
Exercise of equity-settled share-based payment	—	429	—	—	(429)	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	425	—	—	—	—	—	425	—	425
Revaluation surplus on available-for-sale financial assets	—	—	—	—	—	—	—	181	—	—	181	—	181
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	126	126
Transfer	—	—	—	—	—	—	1,234	—	—	(1,234)	—	—	—
2010 final and special dividends	—	—	—	—	—	—	—	—	—	(66,622)	(66,622)	—	(66,622)
Dividend distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,609)	(3,609)
<b>At April 30, 2011 (Unaudited)</b>	<b>60,576</b>	<b>716,743</b>	<b>753</b>	<b>(11,766)</b>	<b>6,259</b>	<b>(419,083)</b>	<b>12,334</b>	<b>181</b>	<b>111,651</b>	<b>709,778</b>	<b>1,187,426</b>	<b>80,368</b>	<b>1,267,794</b>
Representing:													
2011 interim dividend proposed										48,461			
Others										661,317			
<b>Retained profits at April 30, 2011 (Unaudited)</b>										<b>709,778</b>			

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the six months ended April 30, 2010

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Equity-settled share-based payment reserve	Goodwill reserve	Legal reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At November 1, 2009 (Audited)	59,811	701,985	753	(12,080)	5,874	(419,083)	11,171	25,793	587,868	962,092	69,356	1,031,448
Total comprehensive income for the period	—	—	—	—	—	—	—	13,485	81,280	94,765	5,439	100,204
Shares issued at premium	41	878	—	—	—	—	—	—	—	919	—	919
Exercise of equity-settled share-based payment	—	268	—	—	(268)	—	—	—	—	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	186	—	—	—	—	186	—	186
Disposal of a subsidiary	—	—	—	—	—	—	—	4	—	4	—	4
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	669	669
2009 final dividend	—	—	—	—	—	—	—	—	(41,896)	(41,896)	—	(41,896)
Dividend distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(334)	(334)
At April 30, 2010 (Unaudited)	59,852	703,131	753	(12,080)	5,792	(419,083)	11,171	39,282	627,252	1,016,070	75,130	1,091,200
Representing:												
2010 interim dividend proposed									41,898			
Others									585,354			
Retained profits at April 30, 2010 (Unaudited)									627,252			

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended April 30, 2011

	For the six months ended April 30,	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash generated from operating activities	<b>330,898</b>	173,050
Net cash used in investing activities	<b>(68,196)</b>	(21,504)
Net cash used in financing activities	<b>(7,468)</b>	(73,327)
Net increase in cash and cash equivalents	<b>255,234</b>	78,219
Cash and cash equivalents at beginning of the period	<b>773,101</b>	595,586
Effect of foreign exchange rate changes	<b>28,184</b>	7,014
Cash and cash equivalents at end of the period	<b>1,056,519</b>	680,819

Analysis of the balances of cash and cash equivalents

	For the six months ended April 30,	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bank and cash balances	<b>1,056,549</b>	681,686
Bank overdrafts	<b>(30)</b>	(867)
Cash and cash equivalents at end of the period	<b>1,056,519</b>	680,819



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2011

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments which are carried at their fair values.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual accounts for the year ended October 31, 2010.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on November 1, 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKASs and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

### Improvements to HKFRSs 2009 — Amendment to HKAS 17 Leases

The Improvements to HKFRSs 2009 consist of further amendments to existing standards, including an amendment to HKAS 17. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before the amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless the title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases in Hong Kong and outside Hong Kong and has reclassified the land element of its leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease payments has been reclassified to depreciation.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

### Condensed consolidated statement of financial position

	<b>April 30, 2011</b>	October 31, 2010	November 1, 2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Increase in property, plant and equipment	<b>41,215</b>	41,525	42,146
Decrease in prepaid land lease payments	<b>(41,215)</b>	(41,525)	(42,146)

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### Improvements to HKFRSs 2009 — Amendment to HKAS 17 Leases (Cont'd)

#### Condensed consolidated income statement

	For the six months ended April 30,	
	2011 HK\$'000	2010 HK\$'000
Increase in depreciation	310	310
Decrease in amortisation of prepaid land lease payments	(310)	(310)

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in four reportable segments as follows:

- Exhibition and event marketing services;
- Brand signage and visual communication;
- Museum, themed environment, interior and retail; and
- Conference and show management.

### (a) Information about reportable segment revenue, profit or loss:

	Exhibition and event marketing services Unaudited HK\$'000	Brand signage and visual communication Unaudited HK\$'000	Museum, themed environment, interior and retail Unaudited HK\$'000	Conference and show management Unaudited HK\$'000	Total Unaudited HK\$'000
<b>For the six months ended April 30, 2011</b>					
Revenue from external customers	1,132,937	166,152	73,081	22,275	1,394,445
Intersegment revenue	118,003	2,130	418	103	120,654
Segment profits (losses)	90,716	17,137	939	(5,337)	103,455
Interest income	1,553	1,262	5	409	3,229
Interest expenses	1,237	33	14	54	1,338
Share of profits of associates	5,411	—	—	6,220	11,631
Share of profits (losses) of jointly controlled entities	1,489	—	(2,388)	—	(899)

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

### (a) Information about reportable segment revenue, profit or loss: (Cont'd)

	Exhibition and event marketing services Unaudited HK\$'000	Brand signage and visual communication Unaudited HK\$'000	Museum, themed environment, interior and retail Unaudited HK\$'000	Conference and show management Unaudited HK\$'000	Total Unaudited HK\$'000
For the six months ended April 30, 2010					
Revenue from external customers	1,228,596	132,881	54,785	44,160	1,460,422
Intersegment revenue	108,390	565	3,280	—	112,235
Segment profits	83,829	12,806	1,548	11,795	109,978
Interest income	1,462	635	1	5	2,103
Interest expenses	1,881	—	—	107	1,988
Share of profits (losses) of associates	(725)	—	—	2,252	1,527
Share of profits (losses) of jointly controlled entities	(254)	—	9,238	—	8,984

### (b) Reconciliation of reportable segment revenue, profit or loss:

	For the six months ended April 30, 2011	
	Unaudited HK\$'000	Unaudited HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	<b>1,515,099</b>	1,572,657
Elimination of intersegment revenue	<b>(120,654)</b>	(112,235)
Consolidated revenue	<b>1,394,445</b>	1,460,422
<b>Profit or loss</b>		
Total profits of reportable segments	<b>103,455</b>	110,093
Share of profits of associates	<b>11,631</b>	1,527
Share of (losses) profits of jointly controlled entities	<b>(899)</b>	8,984
Unallocated amounts:		
Dividend income	<b>7</b>	—
Corporate expenses	<b>(5,150)</b>	(19,597)
Consolidated profit before tax	<b>109,044</b>	101,007

### 3. FINANCE COSTS

	For the six months ended April 30, 2011		2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
Interest on bank borrowings	1,301		1,926
Finance charges in respect of finance lease obligations	37		62
Total borrowing costs	<b>1,338</b>		1,988

### 4. INCOME TAX EXPENSE

	For the six months ended April 30, 2011		2010
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
The charge comprises:			
Profits tax for the period			
Hong Kong	1,714		1,298
Overseas	21,115		15,196
(Over) under provision in prior periods			
Hong Kong	(501)		66
Overseas	197		(317)
Deferred tax	22,525		16,243
	864		687
	<b>23,389</b>		16,930

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) 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.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

## 5. PROFIT FOR THE PERIOD

	For the six months ended April 30,	
	2011	2010
	Unaudited <i>HK\$'000</i>	Unaudited and restated <i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Depreciation	<b>21,364</b>	18,302
Amortisation of intangible assets	<b>380</b>	365
Cost of inventories sold	<b>118,897</b>	98,631
Allowance for bad and doubtful debts	<b>7,682</b>	1,362
Loss on disposal of property, plant and equipment	<b>64</b>	7
Operating lease rental in respect of:		
— Amortisation of prepaid land lease payments	<b>264</b>	271
and after crediting:		
Interest income	<b>3,229</b>	2,103
Dividend income from available-for-sale financial assets	<b>7</b>	—
Gain on disposal of property, plant and equipment	<b>184</b>	150
Gain on disposal of investment	<b>1,945</b>	—

## 6. DIVIDENDS PAID

	For the six months ended April 30,	
	2011	2010
	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
2010 final and special dividends — HK\$5.5 cents per share (2009: final dividend — HK\$3.5 cents per share)	<b>66,622</b>	41,896

### Notes:

- (a) The 2010 final and special dividends of the year ended October 31, 2010 of HK\$66,622,000 (2009: final dividend of HK\$41,896,000) 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 has determined that an interim dividend of HK\$4.0 cents per share (2010: HK\$3.5 cents) be payable on Friday, July 29, 2011 to shareholders on the register of members of the Company on Friday, July 22, 2011.

## 7. EARNINGS PER SHARE

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

	<b>For the six months ended April 30,</b>	
	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>82,100</b>	81,280
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,210,578,192</b>	1,196,877,695
Effect of dilutive potential ordinary shares in respect of options	<b>1,734,466</b>	4,305,496
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,212,312,658</b>	1,201,183,191

## 8. CAPITAL EXPENDITURE

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
	HK\$'000	HK\$'000
Carrying amount as at November 1, 2010 (Audited and restated)	326,831	10,595
Additions	8,305	—
Disposals	(1,439)	—
Depreciation charges/amortisation	(21,364)	(380)
Exchange adjustments	11,149	72
<b>Carrying amount as at April 30, 2011 (Unaudited)</b>	<b>323,482</b>	<b>10,287</b>

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>April 30, 2011</b>	October 31, 2010
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
Equity securities, unlisted (Note)	<b>314</b>	6,885
Equity securities at fair value, listed in Hong Kong	<b>5,244</b>	5,007
	<b>5,558</b>	11,892

Note: Unlisted equity securities were carried at cost less impairment as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

## 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\$630,601,000 (as at October 31, 2010: HK\$661,425,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30, 2011 Unaudited HK\$'000</b>	October 31, 2010 Audited HK\$'000
Less than 90 days	<b>441,154</b>	527,734
91 — 180 days	<b>116,541</b>	71,730
181 — 365 days	<b>47,496</b>	53,373
More than 1 year	<b>25,410</b>	8,588
	<b>630,601</b>	661,425

## 11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$339,898,000 (as at October 31, 2010: HK\$317,641,000), an ageing analysis of which at the reporting date is as follows:

	<b>April 30, 2011 Unaudited HK\$'000</b>	October 31, 2010 Audited HK\$'000
Less than 90 days	<b>208,678</b>	194,760
91 — 180 days	<b>79,525</b>	42,824
181 — 365 days	<b>12,026</b>	45,273
More than 1 year	<b>39,669</b>	34,784
	<b>339,898</b>	317,641

## 12. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2011 Unaudited	October 31, 2010 Audited	April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited HK\$'000
Ordinary share of HK\$0.05 each (as at October 31, 2010: HK\$0.05 each):				
Authorised:				
At beginning and end of the period/year	<b>2,400,000,000</b>	2,400,000,000	<b>120,000</b>	120,000
Issued and fully paid:				
At beginning of the period/year	<b>1,207,072,104</b>	1,196,226,104	<b>60,354</b>	59,811
Exercise of share options (Note)	<b>4,454,000</b>	10,846,000	<b>222</b>	543
At end of the period/year	<b>1,211,526,104</b>	1,207,072,104	<b>60,576</b>	60,354

Note: During the period, 4,200,000, 38,000, 214,000 and 2,000 shares were issued at HK\$0.986, HK\$1.240, HK\$0.970 and HK\$1.416 per share respectively as a result of the exercise of share options of the Company (as at October 31, 2010: 450,000, 396,000 and 10,000,000 shares issued at HK\$1.240, HK\$0.970 and HK\$0.855 per share respectively).

## 13. PLEDGE OF ASSETS

At April 30, 2011, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited HK\$'000
Pledged bank deposits	<b>14,026</b>	964
Freehold land and buildings	<b>18,905</b>	16,814
Leasehold land	<b>3,886</b>	3,943
Leasehold buildings	<b>11,059</b>	11,182
	<b>47,876</b>	32,903



## 14. COMMITMENTS

### (a) Operating Lease Commitments

At April 30, 2011, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment are payable as follows:

	April 30, 2011		October 31, 2010	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Within one year	18,251	715	23,110	771
In the second to fifth year inclusive	32,236	768	35,529	1,158
Over five years	105,370	—	96,817	—
	<b>155,857</b>	<b>1,483</b>	155,456	1,929

### (b) Capital Commitments

	April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited HK\$'000
Capital expenditure in respect of property, plant and equipment and investment in a subsidiary		
— contracted but not provided for	2,079	26,539
— authorised but not contracted for	114,658	41,251
	<b>116,737</b>	67,790

The Company did not have any other significant capital commitments at April 30, 2011.

## 15. CONTINGENT LIABILITIES

Pico International (Macao) Limited ("Pico Macao"), a subsidiary of the Company, was sued by Redland Precast Concrete Products (Macau) Limited ("Redland") for unpaid invoices in the total amount of MOP6.6 million or HK\$6.3 million for glass fibre reinforced concrete products, steel railings and wrought iron products package in Macau, supplied by Redland to Pico Macao pursuant to a supply contract in 2007. Pico has counterclaimed in excess of HK\$6.3 million for substantial delay to the works package which we believe was caused by the late, defective or failed delivery of Redland's goods. It is difficult to make an estimate on the ultimate liability, if any.

### Financial Guarantees Issued

At April 30, 2011, the Group has issued the following guarantees:

	THE GROUP		THE COMPANY	
	April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited HK\$'000	April 30, 2011 Unaudited HK\$'000	October 31, 2010 Audited HK\$'000
Guarantees given to banks in respect of banking facilities granted to				
— subsidiaries	—	—	<b>486,814</b>	456,229
— associates	<b>35,859</b>	34,860	<b>35,859</b>	34,860
— jointly controlled entities	—	2,488	—	—
	<b>35,859</b>	37,348	<b>522,673</b>	491,089
Performance guarantees				
— secured	<b>7,008</b>	6,881	—	—
— unsecured	<b>64,823</b>	40,933	—	—
	<b>71,831</b>	47,814	—	—
Other guarantees				
— secured	<b>6,893</b>	5,655	—	—
— unsecured	<b>545</b>	21,836	—	—
	<b>7,438</b>	27,491	—	—

Performance and other guarantees in total of HK\$30,098,000 (as at October 31, 2010: HK\$28,493,000) are given to a jointly controlled entity of the Group.

At April 30, 2011, the Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the financial statements.

## 16. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2011							At April 30, 2011	
	Exhibition income	Sub- contracting fee paid	Management fee income	Property rental income	Property rental paid	Consultancy fee paid	Others	Receivables	Payables
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	5,108	3,662	2,245	59	—	—	554	12,627	7,168
Jointly controlled entities	—	—	48	—	—	—	—	1,749	5,583
Related companies	—	301	—	—	—	—	—	8	203
	For the six months ended April 30, 2010							At October 31, 2010	
	Exhibition income	Sub- contracting fee paid	Management fee income	Property rental income	Property rental paid	Consultancy fee paid	Others	Receivables	Payables
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	8,014	17,962	3,862	353	—	579	58	12,220	3,459
Jointly controlled entities	5,599	—	—	—	—	—	—	13,650	4,786
Related companies	—	—	—	—	9	—	468	19	411

*Note:* All transactions were carried out at cost plus a percentage of mark-up.

## **INTERIM DIVIDEND**

The Board recommends the payment of an interim dividend of HK4.0 cents per share for the six months ended April 30, 2011 (six months ended April 30, 2010: HK3.5 cents). The interim dividend will be payable on Friday, July 29, 2011 to shareholders on the register of members of the Company on Friday, July 22, 2011.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, July 19, 2011 to Friday, July 22, 2011, both dates inclusive, during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Union Registrars Limited, at 18 Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 4:00 pm on Monday, July 18, 2011.

## **BUSINESS REVIEW AND PROSPECTS**

### **Results**

Group revenue for the six months ended April 30, 2011, decreased by 4% over the previous corresponding period to HK\$1,394 million. The decrease was due mainly to the one-off Shanghai World Expo 2010 which accounted for about HK\$300 million of the total revenue recorded in the previous corresponding period.

Profit attributable to owners of the Company increased by 1% to HK\$82 million.

Basic earnings per share is HK6.78 cents compared to HK6.79 cents in the previous corresponding period. The Board has recommended an interim dividend of HK4.0 cents per ordinary share as compared to HK3.5 cents in the previous period.

### **Review of Operations**

Overall, our gross margin has recovered back to 32.3% compared to 28.6% for the whole of last year. As explained in our interim report last year, the cost of sales of Shanghai World Expo 2010 included all direct overheads that were identified to this project. This had lowered the gross margin of the previous year.

Distribution costs and administrative expenses in the first half of the current financial year amounted to HK\$372.1 million which is about 9.2% higher than the average half-year amount of HK\$340.8 million in the previous year. The increase is in line with the growth of our core business. The increase in distribution costs and administrative expenses has been offset by better gross margin, and profit from operations of HK\$99.7 million which is higher than HK\$92.5 million in the previous corresponding period.

## **BUSINESS REVIEW AND PROSPECTS (Cont'd)**

### **Review of Operations (Cont'd)**

Under the share of profits from associates, we derived improved contribution from our listed associate, Pico (Thailand) Public Company Ltd. This mitigated the small loss from our jointly controlled entities due to completion of theme park works in the casino integrated resorts in Singapore. However, theme park projects undertaken by our jointly controlled entities continue in Cotai Strip Macau and Hong Kong Disneyland. We should expect their contribution in the second half of this financial year.

During the period under review, our principal subsidiaries remain profitable. We continue to see growth of our core exhibition and event marketing services business in China. We also continue to derive repeat business from our key clients at many recurring international exhibitions and events. In particular, we were involved with our key clients in many recurring exhibitions such as the 32nd Bangkok International Motor Show, China Sourcing Fairs in Hong Kong and Mumbai, as well as various special events such as Singapore Day and HSBC World Golf Championships in Shanghai.

Some of the significant projects we delivered during the period included the provision of temporary facilities at the 2nd Asian Beach Games held in Muscat, Oman, the XIX Commonwealth Games 2010 in Delhi, and construction of sponsors' showcases at the 16th Asian Games held in Guangzhou. We have also concentrated our marketing efforts in the coming London Olympics 2012 and Yeosu World Expo 2012.

In the brand signage and visual communication business, we have won new clients such as Deutsche Bank, Guangzhou Rural Commercial Bank and Harley-Davidson besides ongoing contracts for major car companies, banks, and fast food chains.

### **Liquidity and Financial Information**

The total net tangible assets of the Group were HK\$1,177 million (at October 31, 2010: HK\$1,119 million). At April 30, 2011, the bank and cash balances, including pledged bank deposits, were approximately HK\$1,120 million, representing an increase of HK\$296 million or 36% when compared with HK\$824 million on October 31, 2010. The Group's total borrowings increased by HK\$63 million compared with that on October 31, 2010. Amount due within one year was HK\$117 million (at October 31, 2010: HK\$25 million) and no borrowings were due in more than one year (at October 31, 2010: HK\$29 million).

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Liquidity and Financial Information (Cont'd)

The liquidity ratios of the Group as at April 30, 2011 are as follows:

		April 30, 2011	October 31, 2010
(i)	Current ratio <i>(Current assets/Current liabilities)</i>	<b>1.36 times</b>	1.50 times
(ii)	Liquidity ratio <i>(Current assets — excluding inventories and contract work in progress/Current liabilities)</i>	<b>1.35 times</b>	1.48 times
(iii)	Gearing ratio <i>(Long term borrowings/Total assets)</i>	—	1.19%

In terms of liquidity, the Group continues to preserve our sound financial position. The current ratio and liquidity ratio were stable. All in all, our long term and short term liquidity continue to be healthy, and the existing financial position allows us to capitalise on any future business opportunities.

Although our subsidiaries are located in many different countries of the world, over 70% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars and US dollars, and the remaining 30% were denominated in other Asian currencies and European currencies. Bank borrowings are mainly denominated in Hong Kong dollars and Singapore dollars and the interest is charged on floating and fixed rate basis.

The Group has a certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Renminbi, Singapore dollars and US dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group monitors its foreign currency exposure closely and considers hedging significant foreign currency exposure should the need arise.

### Employees and Emoluments Policies

At April 30, 2011, the Group employs a total of some 2,200 full time employees (at October 31, 2010: 2,400) engaged in project management, design, production, sales and marketing and administration, and is supported by a large pool of subcontractors and suppliers. The staff costs incurred in the period were HK\$245 million (six months ended April 30, 2010: HK\$222 million).

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

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Prospects

In the second half of the year, we will provide services for special events such as the Singapore National Day, Singapore Grand Prix for the 4th consecutive year, and the International Exhibition of Textile Machinery ("ITMA") which will be held in Barcelona in September 2011. ITMA is recognised as the Olympics of the textile and garment machinery industry and is held once every four years, and we have received secured show booking of more than HK\$200 million to-date. Apart from these, we are also appointed as official service provider for various high-profile exhibitions such as the 27th China Sport Show in Chengdu, the China Sourcing Fairs in Dubai and Hong Kong, the China Wind Power in Beijing, the Convention of Pharmaceutical Ingredients in Shanghai, the Hong Kong International Art Fair, the Oil & Gas Asia in Kuala Lumpur and the SIBOS Swift International Banking Operations Seminar in Toronto.

All our core businesses remain profitable, and we expect the second half of the financial year to be profitable barring unforeseen circumstances.

### DIRECTORS' INTERESTS IN SHARES

At April 30, 2011, the interest of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of Directors		Number of shares/ underlying shares held			Approximate percentage of shareholding of the Company
		Personal interests	Other interests	Total interests	
Mr. Lawrence Chia Song Huat	(Note 1)	6,100,000	—	6,100,000	0.50%
Mr. James Chia Song Heng	(Note 2)	4,450,000	—	4,450,000	0.37%
Mr. Mok Pui Keung	(Note 3)	504,000	—	504,000	0.04%
Mr. Frank Lee Kee Wai		—	—	—	—
Mr. Gregory Robert Scott Crichton		—	—	—	—
Mr. Charlie Yucheng Shi		—	—	—	—
Mr. James Patrick Cunningham		—	—	—	—

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

*Notes:*

- (1) The personal interest of Mr. Lawrence Chia Song Huat represents the interest in 6,100,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
- (2) The personal interest of Mr. James Chia Song Heng represents the interest in 4,450,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
- (3) The personal interest of Mr. Mok Pui Keung represents the interest in 310,000 shares and interest in 194,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".

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**

On January 7, 2002, ordinary resolutions were passed by shareholders at an Extraordinary General Meeting to approve the adoption of New Share Option Scheme (the "Scheme") in order to fully comply with Chapter 17 of the Listing Rules. Under the Scheme, the Company may grant options to Eligible Persons to subscribe for shares in the Company, subject to the maximum number of shares available for issue under options in aggregate not exceeding 9.00% of the issued share capital of the Company as at April 30, 2011. 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 Eligible Persons, 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

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

Name of Directors		Outstanding at November 1, 2010	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2011
Category 1: Directors						
Mr. Lawrence Chia Song Huat	(Notes 1, 9)	1,600,000	—	(1,600,000)	—	—
	(Note 2)	1,200,000	—	—	—	1,200,000
	(Note 3)	1,600,000	—	—	—	1,600,000
	(Note 6)	1,500,000	—	—	—	1,500,000
	(Note 8)	1,800,000	—	—	—	1,800,000
Mr. James Chia Song Heng	(Notes 1, 9)	1,600,000	—	(1,600,000)	—	—
	(Note 2)	1,150,000	—	—	—	1,150,000
	(Note 3)	1,300,000	—	—	—	1,300,000
	(Note 6)	1,000,000	—	—	—	1,000,000
	(Note 8)	1,000,000	—	—	—	1,000,000
Mr. Mok Pui Keung	(Note 3)	92,000	—	—	—	92,000
	(Note 5)	42,000	—	—	—	42,000
	(Note 7)	52,000	—	—	—	52,000
	(Note 8)	8,000	—	—	—	8,000
Total Directors		13,944,000	—	(3,200,000)	—	10,744,000
Category 2: Employees						
	(Notes 1, 9)	1,000,000	—	(1,000,000)	—	—
	(Note 2)	1,150,000	—	—	—	1,150,000
	(Note 3)	1,390,000	—	—	—	1,390,000
	(Note 4)	72,000	—	—	—	72,000
	(Notes 5, 9)	970,000	—	(38,000)	(16,000)	916,000
	(Note 6)	500,000	—	—	—	500,000
	(Notes 7, 9)	1,746,000	—	(214,000)	—	1,532,000
	(Notes 8, 9)	838,000	—	(2,000)	—	836,000
Total employees		7,666,000	—	(1,254,000)	(16,000)	6,396,000
Total all categories		21,610,000	—	(4,454,000)	(16,000)	17,140,000

## SHARE OPTIONS (Cont'd)

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

Notes:

- (1) The exercise price is HK\$0.986. The option period during which the options may be exercised was the period from December 15, 2005 to December 14, 2010. The date of grant was December 14, 2005.
- (2) The exercise price is HK\$1.630. The option period during which the options may be exercised is the period from August 30, 2006 to August 29, 2011. The date of grant was August 29, 2006.
- (3) The exercise price is HK\$2.184. The option period during which the options may be exercised is the period from May 22, 2007 to May 21, 2012. The date of grant was May 21, 2007.
- (4) The exercise price is HK\$2.350. The option period during which the options may be exercised is the period from August 29, 2007 to August 28, 2012. The date of grant was August 28, 2007.
- (5) The exercise price is HK\$1.240. The option period during which the options may be exercised is the period from May 15, 2008 to May 14, 2013. The date of grant was May 14, 2008.
- (6) The exercise price is HK\$0.413. The option period during which the options may be exercised is the period from December 16, 2008 to December 15, 2013. The date of grant was December 15, 2008.
- (7) The exercise price is HK\$0.970. The option period during which the options may be exercised is the period from May 19, 2009 to May 18, 2014. The date of grant was May 18, 2009.
- (8) The exercise price is HK\$1.416. The option period during which the options may be exercised is the period from May 26, 2010 to May 25, 2015. The date of grant was May 25, 2010.
- (9) The weighted average closing price of share immediately before the date on which the options were exercised by employee is HK\$1.536.

## SHARE OPTIONS (Cont'd)

### (ii) Valuation of share options

- (1) The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model or Binominal Options pricing model:

Date of grant	Exercise price HK\$	Based on	Expected volatility %	Weighted	Risk-free rate %	Annual dividend yield %
		expected life of share options Year(s)		average share price HK\$		
December 14, 2005	0.986	0.50	44.65	1.880	3.680	12.71
August 29, 2006	1.630	0.50	48.65	1.630	3.640	10.08
May 21, 2007	2.184	2.50	47.01	2.170	4.008	3.23
August 28, 2007	2.350	2.50	45.93	2.350	4.004	2.98
May 14, 2008						
1st Tranche	1.240	2.50	55.18	1.240	2.123	5.65
2nd Tranche	1.240	2.70	53.99	1.240	2.217	5.65
3rd Tranche	1.240	3.00	53.69	1.240	2.248	5.65
4th Tranche	1.240	3.20	52.74	1.240	2.353	5.65
December 15, 2008	0.413	5.00	59.26	0.390	1.496	5.98
May 18, 2009	0.970	3.19	65.91	0.970	0.975	6.64
May 25, 2010	1.416	5.00	59.00	1.400	1.540	4.24

- (2) Expected volatility was determined by using the historical volatility of the Company's share price over the previous three to five years. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.
- (3) The Group recognised the total expenses of HK\$425,000 for six months ended April 30, 2011 (six months ended April 30, 2010: HK\$186,000) in relation to share options granted by the Company.

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**

At April 30, 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interest disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### **Long positions in shares and underlying shares of the Company**

<b>Name of Shareholders</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of issued share capital</b>
Pine Asset Management Limited	472,167,186	38.97%
DJE Investment S.A. (Note)	112,496,000	9.29%
Dr. Jens Ehrhardt Kapital AG	112,496,000	9.29%
Dr. Jens Alfred Karl Ehrhardt	112,496,000	9.29%

Note: These shares are held by DJE Investment S.A. which is controlled by Dr. Jens Ehrhardt Kapital AG, which in turn is controlled by Dr. Jens Alfred Karl Ehrhardt.

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, 2011.

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

During the period ended April 30, 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period ended April 30, 2011, the Company has complied with the principles set out in the Code on Corporate Governance Practices (the "CG Code Provision") in Appendix 14 of the Listing Rules, except for the following deviations:

CG Code Provision A2.1 stipulates that the role of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Given the current corporate structure, there is no separation between the roles of the Chairman and the Chief Executive Officer. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three Independent Non-Executive Directors and one Non-Executive Director in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

## **CORPORATE GOVERNANCE (Cont'd)**

CG Code Provision A4.1 requires that Non-Executive Directors should be appointed for a specific term, subject to re-election. All existing Non-Executive Directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company's annual general meeting. The Articles of Association of the Company requires one-third of the Directors retire by rotation. In the opinion of the Directors, it meets the same objective as the CG Code Provision A4.1.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the period ended April 30, 2011.

## **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  
**Leung Hoi Yan**  
*Company Secretary*

Hong Kong, June 22, 2011