



*innovate for*  
**GROWTH**  **pico**

**Pico Far East Holdings Limited** Stock Code 752  
(Incorporated in the Cayman Islands with Limited Liability)

**Interim Report 2014**

## 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, 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2014

		<b>For the six months ended April 30,</b>	
	<i>Note</i>	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
Turnover	2	<b>1,656,367</b>	1,629,489
Cost of sales		<b>(1,181,211)</b>	(1,149,208)
Gross profit		<b>475,156</b>	480,281
Other income		<b>34,072</b>	46,074
Distribution costs		<b>(215,330)</b>	(205,430)
Administrative expenses		<b>(195,829)</b>	(198,772)
Other operating expenses		<b>(374)</b>	(1,037)
Profit from operations		<b>97,695</b>	121,116
Finance costs	3	<b>(813)</b>	(598)
		<b>96,882</b>	120,518
Share of profits of associates		<b>11,162</b>	12,173
Profit before tax		<b>108,044</b>	132,691
Income tax expense	4	<b>(24,577)</b>	(34,523)
Profit for the period	5	<b>83,467</b>	98,168
Attributable to:			
Owners of the Company		<b>86,903</b>	93,539
Non-controlling interests		<b>(3,436)</b>	4,629
		<b>83,467</b>	98,168
<b>EARNINGS PER SHARE</b>	7		
Basic		<b>7.15 cents</b>	7.70 cents
Diluted		<b>7.13 cents</b>	7.68 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2014

	For the six months ended April 30,	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Profit for the period	<b>83,467</b>	98,168
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<b>(23,616)</b>	1,345
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale financial assets	<b>186</b>	(33)
Fair values changes of available-for-sale financial assets	<b>—</b>	97
Other comprehensive income for the period, net of tax	<b>(23,430)</b>	1,409
Total comprehensive income for the period	<b>60,037</b>	99,577
Attributable to:		
Owners of the Company	<b>64,711</b>	94,721
Non-controlling interests	<b>(4,674)</b>	4,856
	<b>60,037</b>	99,577

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2014

	Note	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
<b>Non-current Assets</b>			
Investment properties		215,248	218,522
Property, plant and equipment	8	527,891	507,474
Prepaid land lease payments		65,005	67,103
Intangible assets	8	20,006	18,261
Interests in jointly controlled entities		—	74
Interests in associates		145,897	150,718
Club membership		4,238	4,261
Available-for-sale financial assets	9	361	1,130
Other assets		55,420	56,455
Deferred tax assets		1,089	1,153
		<b>1,035,155</b>	1,025,151
<b>Current Assets</b>			
Inventories		26,497	43,017
Contract work in progress		31,269	12,323
Debtors, deposits and prepayments	10	958,713	966,125
Amounts due from associates		21,712	15,814
Amounts due from jointly controlled entities		275	88
Current tax assets		11,390	8,163
Pledged bank deposits		3,564	—
Bank and cash balances		891,076	875,562
		<b>1,944,496</b>	1,921,092
<b>Current Liabilities</b>			
Payments received on account		147,476	196,755
Creditors and accrued charges	11	1,100,388	1,090,412
Amounts due to associates		6,867	9,691
Current tax liabilities		36,954	39,284
Borrowings		98,019	9,762
Finance lease obligations		393	400
		<b>1,390,097</b>	1,346,304
<b>Net Current Assets</b>		<b>554,399</b>	574,788
<b>Total Assets Less Current Liabilities</b>		<b>1,589,554</b>	1,599,939

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

At April 30, 2014

	Note	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
<b>Non-current Liabilities</b>			
Finance lease obligations		398	604
Deferred tax liabilities		32,825	33,064
		<b>33,223</b>	33,668
<b>NET ASSETS</b>		<b>1,556,331</b>	1,566,271
<b>Capital and Reserves</b>			
Share capital	12	60,808	60,804
Reserves		1,448,314	1,450,328
<b>Equity attributable to owners of the Company</b>		<b>1,509,122</b>	1,511,132
<b>Non-controlling interests</b>		<b>47,209</b>	55,139
<b>TOTAL EQUITY</b>		<b>1,556,331</b>	1,566,271

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2014

	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	Assets revaluation reserve	Investment revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
At November 1, 2013 (Audited)	60,804	727,433	854	(11,749)	7,053	(419,083)	24,542	3,740	(186)	121,599	996,125	1,511,132	55,139	1,566,271
Total comprehensive income for the period	–	–	–	–	–	–	–	–	186	(22,378)	86,903	64,711	(4,674)	60,037
Shares issued at premium	4	84	–	–	–	–	–	–	–	–	–	88	–	88
Exercise of equity-settled share-based payment	–	29	–	–	(29)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	79	–	–	–	–	–	–	79	–	79
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	3	3
Transfer	–	–	–	76	–	–	–	–	–	–	(76)	–	–	–
2013 final dividend	–	–	–	–	–	–	–	–	–	–	(66,888)	(66,888)	–	(66,888)
Dividend distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,259)	(3,259)
<b>At April 30, 2014 (Unaudited)</b>	<b>60,808</b>	<b>727,546</b>	<b>854</b>	<b>(11,673)</b>	<b>7,103</b>	<b>(419,083)</b>	<b>24,542</b>	<b>3,740</b>	<b>–</b>	<b>99,221</b>	<b>1,016,064</b>	<b>1,509,122</b>	<b>47,209</b>	<b>1,556,331</b>
Representing:														
2014 interim dividend proposed											54,730			
Others											961,334			
<b>Retained earnings at April 30, 2014 (Unaudited)</b>											<b>1,016,064</b>			

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

For the six months ended April 30, 2013

	Attributable to owners of the Company													
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Equity-settled share-based payment	Goodwill reserve	Legal reserve	Assets revaluation reserve	Investment revaluation 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	HK\$'000	HK\$'000
At November 1, 2012 (Audited)	60,716	724,435	854	(11,766)	6,396	(419,083)	13,257	—	(250)	118,337	917,999	1,410,895	62,224	1,473,119
Total comprehensive income for the period	—	—	—	—	—	—	—	—	64	1,118	93,539	94,721	4,856	99,577
Shares issued at premium	80	1,927	—	—	—	—	—	—	—	—	—	2,007	—	2,007
Exercise of equity-settled share-based payment	—	603	—	—	(603)	—	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	894	—	—	—	—	—	—	894	—	894
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	315	315
Purchase of non-controlling interests	—	—	—	—	—	—	—	—	—	—	(128)	(128)	128	—
Transfer	—	—	—	—	—	—	7,690	—	—	—	(7,690)	—	—	—
2012 final dividend	—	—	—	—	—	—	—	—	—	—	(66,872)	(66,872)	—	(66,872)
Dividend distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(5,741)	(5,741)
At April 30, 2013 (Unaudited)	60,796	726,965	854	(11,766)	6,687	(419,083)	20,947	—	(186)	119,455	936,848	1,441,517	61,782	1,503,299
Representing:														
2013 interim dividend proposed											54,717			
Others											882,131			
Retained earnings at April 30, 2013 (Unaudited)											936,848			

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended April 30, 2014*

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
Net cash generated from operating activities	<b>44,282</b>	202,420
Net cash used in investing activities	<b>(43,610)</b>	(19,097)
Net cash generated from (used in) financing activities	<b>17,924</b>	(60,078)
Net increase in cash and cash equivalents	<b>18,596</b>	123,245
Cash and cash equivalents at beginning of the period	<b>866,473</b>	933,947
Effect of foreign exchange rate changes	<b>(9,764)</b>	658
Cash and cash equivalents at end of the period	<b>875,305</b>	1,057,850

Analysis of the balances of cash and cash equivalents

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
Bank and cash balances	<b>875,305</b>	1,057,851
Bank overdrafts	<b>—</b>	(1)
Cash and cash equivalents at end of the period	<b>875,305</b>	1,057,850

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended April 30, 2014*

### 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 historic 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, 2013.

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, 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

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.

2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

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

	Exhibition and event marketing services	Brand signage and visual communication	Museum, themed environment, interior and retail	Conference and show management	Total
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
<b>For the six months ended April 30, 2014</b>					
Revenue from external customers	1,241,975	230,185	131,414	52,793	1,656,367
Intersegment revenue	115,862	1,203	16,262	20	133,347
Segment profits	79,740	29,857	1,378	1,453	112,428
Interest income	1,974	2,143	4	141	4,262
Interest expenses	602	—	50	161	813
<b>For the six months ended April 30, 2013</b>					
Revenue from external customers	1,170,188	300,687	107,356	51,258	1,629,489
Intersegment revenue	96,175	415	8,627	168	105,385
Segment profits	87,820	39,273	3,373	1,990	132,456
Interest income	1,526	3,529	655	92	5,802
Interest expenses	453	—	13	132	598

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

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	<b>1,789,714</b>	1,734,874
Elimination of intersegment revenue	<b>(133,347)</b>	(105,385)
Consolidated revenue	<b>1,656,367</b>	1,629,489
<b>Profit or loss</b>		
Total profits of reportable segments	<b>112,428</b>	132,456
Share of profits of associates	<b>11,162</b>	12,173
Unallocated amounts:		
Gain on disposal of available-for-sale financial assets, net	—	438
Dividend income	—	72
Corporate expenses	<b>(15,546)</b>	(12,448)
Consolidated profit before tax	<b>108,044</b>	132,691

## 3. FINANCE COSTS

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
Interest on bank borrowings	<b>792</b>	591
Finance charges in respect of finance lease obligations	<b>21</b>	7
<b>Total borrowing costs</b>	<b>813</b>	598

## 4. INCOME TAX EXPENSE

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
The charge comprises:		
Profits tax for the period		
Hong Kong	<b>1,962</b>	1,374
Overseas	<b>22,485</b>	19,902
(Over) Under provision in prior periods		
Hong Kong	<b>(10)</b>	(17)
Overseas	<b>156</b>	5,629
	<b>24,593</b>	26,888
Deferred tax	<b>(16)</b>	7,635
	<b>24,577</b>	34,523

Hong Kong profits tax is calculated at 16.5% (2013: 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.

## 5. PROFIT FOR THE PERIOD

	<b>For the six months ended April 30,</b>	
	<b>2014 Unaudited HK\$'000</b>	2013 Unaudited HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation	<b>22,561</b>	16,776
Amortisation of intangible assets	<b>934</b>	812
Cost of inventories sold	<b>109,635</b>	88,526
Allowance for bad and doubtful debts	<b>2,447</b>	6,627
Loss on disposal of available-for-sale financial assets, net	<b>78</b>	—
Loss on disposal of property, plant and equipment	<b>219</b>	228
Loss on disposal of an associate	—	373
Loss on disposal of investments	—	306
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	<b>923</b>	916
and crediting:		
Interest income	<b>4,262</b>	5,802
Dividend income from available-for-sale financial assets	—	72
Gain on disposal of available-for-sale financial assets, net	—	438
Gain on disposal of property, plant and equipment	<b>695</b>	6,841
Gain on disposal of an associate	—	130

## 6. DIVIDENDS PAID

	For the six months ended April 30,	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
2013 final dividend paid HK5.5 cents per share (2012: final dividend paid HK5.5 cents per share)	<b>66,888</b>	66,872

## Notes:

- (a) The 2013 final dividend of the year ended October 31, 2013 of HK\$66,888,000 (2012: final dividend of HK\$66,872,000) were approved after October 31, 2013 and 2012 respectively. 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 HK4.5 cents per share (2013: HK4.5 cents) be payable on Monday, July 28, 2014 to the shareholders on the register of members of the Company on Monday, July 21, 2014.

## 7. EARNINGS PER SHARE

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

	For the six months ended April 30,	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	<b>86,903</b>	93,539

	For the six months ended April 30,	
	2014 Unaudited	2013 Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,216,105,651</b>	1,215,125,982
Effect of dilutive potential ordinary shares in respect of options	<b>2,311,111</b>	2,305,727
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,218,416,762</b>	1,217,431,709

## 8. CAPITAL EXPENDITURE

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
	HK\$'000	HK\$'000
Carrying amount as at November 1, 2013 (Audited)	507,474	18,261
Additions	50,560	2,935
Disposals	(619)	—
Depreciation charges/amortisation	(22,561)	(934)
Exchange adjustments	(6,963)	(256)
<b>Carrying amount as at April 30, 2014 (Unaudited)</b>	<b>527,891</b>	<b>20,006</b>

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>April 30, 2014 Unaudited HK\$'000</b>	October 31, 2013 Audited HK\$'000
Equity securities, unlisted	<b>7,437</b>	7,292
Less: Impairment loss recognised	<b>(7,076)</b>	(6,961)
	<b>361</b>	331
Equity securities at fair value, listed in Hong Kong	—	799
	<b>361</b>	1,130

The fair values of listed securities are based on current bid prices. 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 a credit period ranged from 30 to 90 days to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$681,149,000 (as at October 31, 2013: HK\$777,685,000), an ageing analysis, based on the invoice date and net of allowance, is as follows:

	<b>April 30, 2014 Unaudited HK\$'000</b>	October 31, 2013 Audited HK\$'000
Less than 91 days	<b>549,694</b>	608,375
91 — 180 days	<b>67,118</b>	82,013
181 — 365 days	<b>47,504</b>	71,062
More than 1 year	<b>16,833</b>	16,235
	<b>681,149</b>	777,685

**11. CREDITORS AND ACCRUED CHARGES**

Included in creditors and accrued charges are trade creditors of approximately HK\$363,198,000 (as at October 31, 2013: HK\$372,341,000), an ageing analysis, based on the date of receipt of goods or services, is as follows:

	<b>April 30, 2014 Unaudited HK\$'000</b>	October 31, 2013 Audited HK\$'000
Less than 91 days	<b>257,444</b>	284,180
91 — 180 days	<b>42,466</b>	32,089
181 — 365 days	<b>34,593</b>	17,570
More than 1 year	<b>28,695</b>	38,502
	<b>363,198</b>	372,341

## 12. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2014 Unaudited	October 31, 2013 Audited	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
Ordinary share of 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>1,216,080,104</b>	1,214,316,104	<b>60,804</b>	60,716
Exercise of share options ( <i>Note</i> )	<b>80,000</b>	1,764,000	<b>4</b>	88
At end of the period/ year	<b>1,216,160,104</b>	1,216,080,104	<b>60,808</b>	60,804

*Note:*

During the period, 64,000 and 16,000 shares were issued at HK\$0.970 and HK\$1.648 per share respectively as a result of the exercise of share options of the Company (year ended October 31, 2013: 362,000, 676,000, 28,000, 342,000, 276,000 and 80,000 shares issued at HK\$1.240, HK\$0.970, HK\$1.416, HK\$1.570, HK\$1.648 and HK\$1.680 per share respectively).

## 13. PLEDGE OF ASSETS

At April 30, 2014, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
Freehold land and buildings	<b>15,790</b>	16,136
Leasehold land and buildings	<b>13,875</b>	14,054
Pledged bank deposits	<b>3,564</b>	—
	<b>33,229</b>	30,190

## 14. COMMITMENTS

## (a) Operating Lease Commitments

At April 30, 2014, 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, 2014		October 31, 2013	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Within one year	14,800	1,033	16,518	920
In the second to fifth years, inclusive	21,468	943	27,300	1,053
Over five years	106,110	—	103,904	22
	<b>142,378</b>	<b>1,976</b>	147,722	1,995

## (b) Capital Commitments

	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
Capital expenditure in respect of property, plant and equipment		
— contracted but not provided for	9,759	15,515
— authorised but not contracted for	2,528	14,313
	<b>12,287</b>	29,828

The Company did not have any other significant capital commitments at April 30, 2014.

## 15. CONTINGENT LIABILITIES

## Financial Guarantees issued

At April 30, 2014, the Group has issued the following guarantees:

	THE GROUP		THE COMPANY	
	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000	April 30, 2014 Unaudited HK\$'000	October 31, 2013 Audited HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	—	—	<b>559,372</b>	508,756
Performance guarantees				
— secured	<b>20,582</b>	28,902	—	—
— unsecured	<b>40,683</b>	41,520	—	—
	<b>61,265</b>	70,422	—	—
Other guarantees				
— secured	<b>259</b>	951	—	—
— unsecured	—	—	—	—
	<b>259</b>	951	—	—

At April 30, 2014, 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 unaudited condensed consolidated interim financial statements.

## 16. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2014						At April 30, 2014	
	Exhibition	Sub-	Management	Property	Property	Others	Receivables	Payables
	income	contracting	fee income	rental	rental paid			
	Unaudited	fee paid	Unaudited	income	Unaudited	Unaudited	Unaudited	Unaudited
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Associates	3,167	14,267	4,122	416	–	2,315	21,712	6,867
Jointly controlled entities	–	–	103	20	–	10	275	–
Related companies	–	2,123	–	–	195	3	168	1,902

  

	For the six months ended April 30, 2013						At October 31, 2013	
	Exhibition	Sub-	Management	Property	Property	Others	Receivables	Payables
	income	contracting	fee income	rental	rental			
	Unaudited	fee paid	Unaudited	income	paid	Unaudited	Audited	Audited
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Associates	5,008	12,060	8,256	442	–	22	15,814	9,691
Jointly controlled entities	1,464	–	79	–	–	7	88	–
Related companies	–	713	–	–	293	3	5	588

*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 HK4.5 cents per share for the six months ended April 30, 2014 (six months ended April 30, 2013: HK4.5 cents). The interim dividend will be payable on Monday, July 28, 2014 to shareholders on the register of members of the Company on Monday, July 21, 2014.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Wednesday, July 16, 2014 to Monday, July 21, 2014, both days inclusive, during which period no transfers of shares will be registered. In order to establish entitlements to 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 Tuesday, July 15, 2014.

## BUSINESS REVIEW AND PROSPECTS

### Results

Group revenue for the six months ended April 30, 2014, increased by 1.7% compared with the previous corresponding period to HK\$1,656 million.

Profit attributable to owners of the Company decreased by 7.1% to HK\$86.9 million due to a drop in our gross margin of 0.8 percentage point from 29.5% to 28.7%.

Basic earnings per share is HK7.15 cents compared to HK7.70 cents in the previous corresponding period. The Board has recommended an interim dividend of HK4.5 cents per ordinary share, compared with HK4.5 cents in the previous period.

### Review of Operations

The 2014 financial year continues to be a year of challenges for many businesses due to slower economic growth in China and several other Asian regions such as Japan, Korea and Taiwan. Despite this, our core exhibition business recorded a 6.1% increase compared with the previous corresponding period. Except for the signage business, which recorded a decrease of 23.4% in turnover, the other two business segments – museum and themed environment and conference and show management – also recorded higher turnover.

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Review of Operations (Cont'd)

***The Exhibition and Event Marketing Services segment performance remained stable.***

Due to a number of recurring shows and several new clients in this segment, financial year 2014 got off to a good start. Major highlights of the exhibitions and events completed in the first six months of this year include:

1. The APEC 2014 Symposium and the APEC Informal Senior Officials' Meeting in Beijing
2. Auto China in Beijing, Auto Guangzhou and Bangkok International Motor Show and Motor Expo
3. Automechanika Shanghai
4. Bahrain Animal Production Show
5. China International Building Decorations and Building Materials Expo
6. China Sourcing Fairs in Hong Kong and New Delhi
7. China International Gold, Jewellery and Gem Fair in Shanghai and Shenzhen
8. ITU Telecom World in Bangkok
9. Singapore Air Show
10. The 10th ASEAN Council on Petroleum Conference and Exhibition in Ho Chi Minh City

We also provided exhibition and event marketing services to a wide variety of major car brands including Audi, Chevrolet, Ferrari, Infiniti, Jaguar, Lexus, Maserati, Mercedes-Benz, Mitsubishi, Nissan and Peugeot in various parts of the world.

In the first half of financial year 2014, we successfully fulfilled our overlay contract for the 2014 Sochi Winter Olympics. Other major events included Bahrain National Day, the Cathay Pacific/HSBC Rugby Sevens in Hong Kong, the Emirates Dubai Jazz Festival, HSBC Golf Champions events in Abu Dhabi and Singapore, and Singapore Day in London.

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Review of Operations (Cont'd)

***The Brand Signage and Visual Communication business segment reported a decline in the first half of the year.***

During the period under review, we continued to provide visual identity solutions for many car brands in China, namely Cadillac, Changan, Chevy, Dongfeng Peugeot, Ford, Infiniti, Jaguar Land Rover, Lexus, Mercedes-Benz, Nissan, Peugeot, Renault and Shanghai General Motors. Due to the PRC government's tighter monetary policy, some of the expansion plans of a number of dealers have been postponed to the second half of this year.

The Group is managing this challenge through better cost controls and work efficiencies gained from further automation in our new factory.

Looking forward, we have confirmed a new order from Infiniti Global to design and build the merchandise areas of all Infiniti showrooms worldwide. We also won the contract to supply signage to Infiniti in the Middle East region.

In China, we continue to provide signage to fast food chains like Dairy Queen, Saizeriya and Yonghe Dawang; to hotel brands like Accor and IHG; and to the Agricultural Bank of China and Citibank China in the banking sector.

Another promising contract is the one with TOTAL Pakistan, involving 450 petrol stations that needed to be converted over an 18-month period starting this July.

We believe that the overall signage business is still robust despite the decrease in sales during this period.

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Review of Operations (Cont'd)

***The Museum, Themed Environment, Interior and Retail segment saw a reasonable level of improvement.***

During the period, we successfully completed the following museum and interior fit-out projects in various parts of the world:

1. Beijing Cultural Creative Centre Visitor Gallery
2. Dinosaurs: Dawn to Extinction at ArtScience Museum in Singapore
3. Grundfos China corporate office in Shanghai
4. Guangzhou Radio Group showroom in Guangzhou
5. Isuzu R&D and Training Centre in Jalan Subang, Malaysia
6. Kia showroom in Bahrain
7. MISC Berhad office in Kuala Lumpur
8. PV Gas office and gallery in Ho Chi Minh City
9. Samsung New Business Experience Centre in Shanghai
10. Sicily-Rome American Cemetery Visitor Centre in Rome

Our work with Shanghai Disneyland will continue throughout this year and well into financial year 2015. Other contracts to be completed in the latter half of financial year 2014 include: Hangzhou Intelligence e-Valley, the Hub Zero Family Entertainment Centre in Dubai, the Saudi Arabia Water Gallery, the Singapore Air Force Museum, the Workforce Development Agency Gallery, National Gallery and Shimano Gallery in Singapore; the Survey and Land Registration Bureau Gallery in Bahrain, the Wanda Movie Theme Park in Nanchang, and Xinjiang Qinghua Industrial Park Sura Palace Gallery.

The Group has other interior fit-out contracts in the pipeline for this financial year, including the ENN Group showroom in Langfang China, the Fangda Group showroom in Shenzhen and the Yakult factory showroom in Guangzhou.

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

### Review of Operations (Cont'd)

***The Conference and Show Management segment performance met our expectations.***

Thanks to our strong credentials and extensive experience, the Group has continuing contracts for a number of recurring shows and has added several new shows to our portfolio. Highlights of the first half of financial year 2014 included:

1. The 10th Congress of the Asia-Pacific Society of Hypertension in Cebu
2. 50Plus Expo in Bangkok and Singapore
3. China International Electric Power and Electric Engineering Technology Exhibition in Shanghai
4. InfoComm China in Beijing
5. International Furniture Fair in Singapore
6. ITECHLAW India in Bangalore
7. Pet Expo in Singapore
8. Philconstruct in Manila

The Group will deliver a number of high-profile shows later this year, including the INTERPOL World Series in Singapore, Manufacturing Technology World in Manila, ITMA (Internationale Textilmaschinen Ausstellung) Asia and CITME, and the EMTE-EASTPO Machine Tool Exhibition in Shanghai.

The most recent update to our hall management portfolio is the Group's contract with the Chenzhou International Convention and Exhibition Centre in Hunan Province. The Group will handle operations management for this, the first exhibition hall in Chenzhou city. Encompassing a total site area of 133,731 square metres, the Chenzhou International Convention and Exhibition Centre forms part of the recreational and sports district of Chenzhou city providing show organisers and exhibitors with approximately 50,000 square metres and 15,000 square metres of indoor and outdoor exhibition space respectively.

**BUSINESS REVIEW AND PROSPECTS (Cont'd)****Liquidity and Financial Information**

As at period end date, the total net tangible assets attributable to owners of the Company of the Group decreased by 0.3% to about HK\$1,489 million (at October 31, 2013: HK\$1,493 million).

Bank and cash balances amounted to HK\$891 million (at October 31, 2013: HK\$876 million), while pledged bank deposits were HK\$4 million (at October 31, 2013: nil). Deducting interest bearing external borrowings from cash and bank balances, the net cash balance was HK\$797 million (at October 31, 2013: HK\$866 million).

Total bank borrowings were HK\$98 million at April 30, 2014 (at October 31, 2013: HK\$10 million). They are mainly denominated in Hong Kong dollars, Singapore dollars and Korean Won, and the interest is charged on a mix of floating and fixed rate basis.

	<b>April 30, 2014 Unaudited HK\$' million</b>	October 31, 2013 Audited HK\$' million
Bank and cash balances	<b>891</b>	876
Pledged bank deposits	<b>4</b>	—
Less: Bank borrowings	<b>(98)</b>	(10)
<b>Net cash balance</b>	<b>797</b>	866

For the six months ended April 30, 2014, the Group invested HK\$51 million (2013: HK\$59 million) in purchase of property, plant and equipment.

The Group has no long term borrowings at April 30, 2014 and October 31, 2013. The current ratio was 1.40 times (at October 31, 2013: 1.43 times) and the liquidity ratio was 1.36 times (at October 31, 2013: 1.39 times).

	<b>April 30, 2014</b>	October 31, 2013
Current ratio ( <i>current assets/current liabilities</i> )	<b>1.40 times</b>	1.43 times
Liquidity ratio ( <i>current assets — excluding inventories and contract work in progress/current liabilities</i> )	<b>1.36 times</b>	1.39 times
Gearing ratio ( <i>long term borrowings/total assets</i> )	<b>N/A</b>	N/A

## BUSINESS REVIEW AND PROSPECTS (Cont'd)

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

Although our subsidiaries are located in many different countries of the world, over 75% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars and US dollars, and the remaining 25% were denominated in other Asian currencies and European currencies. We have already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the period, the Group's exposure to foreign exchange risk is minimal. It is the Group's policy not to enter into derivative transactions for speculative purpose.

### Employees and Emoluments Policies

At April 30, 2014, the Group employs a total of around 2,400 full time employees (at October 31, 2013: 2,500) 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 was HK\$318 million (six months ended April 30, 2013: HK\$298 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

Looking ahead, we expect our business in Asia to remain a key driver of growth. Upcoming highlights of the latter half of this year include the Mobile Asia Expo in Shanghai, Singapore National Day Parade and the Singapore Garden Festival. We are also entering the second year of our renewed five-year contract with the Formula 1 Singapore Grand Prix — providing grandstands, VIP lounges and hospitality suites for this event. We will be handling numerous roadshows and events for various car brands in China. We also have recently been appointed to handle high-profile events in China for tech giants like Google and Tencent.

Another exciting update to Pico's portfolio is our involvement with the cutting-edge 35-hectare Singapore Sports Hub — an integrated venue for sports and entertainment — which will begin operations in June 2014. Our joint venture company, Global Spectrum Asia has been appointed as the management company for this new facility. In addition, Pico has been appointed as the commercial signage provider for corporate sponsors of the Sports Hub itself as well as for the Singapore Indoor Stadium; with work including technical design for all sponsors' signage structures. We have also been appointed as the official interior fit-out provider for the Sports Hub's National Stadium Club Executive Suites.

The Group opened an office in Yangon, Myanmar last year, and this year we began providing exhibition standfitting services to various exhibitors. We have also been appointed to provide significant event management services for the ASEAN Tourism Forum in 2015.

For the upcoming Expo Milano 2015, the Group won our first major contract: providing a comprehensive scope of services including construction, design, content development, publicity and operations management for the 2,047 square metre Malaysia Pavilion.

Through our partnerships with industry leaders in Italy, we have also made significant progress in the upcoming ITMA (Internationale Textilmaschinen Ausstellung) show in Milan in 2015, which will be held in November after the closing of Expo Milano 2015.

The Group will in addition to Asian market, continue to pursue business opportunities in the Middle East, North America and Europe.

## DIRECTORS' INTERESTS IN SHARES

At April 30, 2014, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Directors		Number of shares/ underlying shares held			Approximate percentage of shareholding
		Personal interests	Other interests	Total interests	of the Company
Mr. Lawrence Chia Song Huat	(Note 1)	5,658,000	—	5,658,000	0.47%
Mr. James Chia Song Heng	(Note 2)	2,930,000	—	2,930,000	0.24%
Mr. Mok Pui Keung	(Note 3)	542,000	—	542,000	0.04%
Mr. Gregory Robert Scott Crichton		—	—	—	—
Mr. James Patrick Cunningham		—	—	—	—
Mr. Frank Lee Kee Wai		—	—	—	—
Mr. Charlie Yucheng Shi		—	—	—	—

### Notes:

- (1) The personal interest of Mr. Lawrence Chia Song Huat represents the interests in 5,658,000 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 2,930,000 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 404,000 shares and interest in 138,000 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

The share option scheme approved by the shareholders of the Company on January 7, 2002 (the “2002 Scheme”) has expired on January 7, 2012. Thereafter, no further options will be granted under the 2002 Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Scheme.

At the Annual General Meeting of the Company held on March 22, 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “2012 Scheme”) under which the directors of the Company may grant options to eligible persons to subscribe for the Company’s shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2012 Scheme will remain valid for a period of 10 years from the date of its adoption.

The Company was authorised to grant share options under the 2012 Scheme for subscription of up to a total of 121,342,410 shares, representing approximately 10% of the issued share capital of the Company as at the date of adoption. 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 2002 Scheme and 2012 Scheme are as follows:

#### 2002 Scheme

	Outstanding at November 1, 2013	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2014
Category 1: Directors					
Mr. Lawrence Chia Song Huat					
<i>(Note 2)</i>	1,800,000	—	—	—	1,800,000
<i>(Note 4)</i>	1,870,000	—	—	—	1,870,000
Mr. James Chia Song Heng					
<i>(Note 2)</i>	1,000,000	—	—	—	1,000,000
<i>(Note 4)</i>	936,000	—	—	—	936,000
Mr. Mok Pui Keung					
<i>(Notes 1, 9)</i>	52,000	—	(52,000)	—	—
<i>(Note 2)</i>	8,000	—	—	—	8,000
<i>(Note 3)</i>	32,000	—	—	—	32,000
Total Directors	5,698,000	—	(52,000)	—	5,646,000
Category 2: Employees					
<i>(Notes 1, 9)</i>	46,000	—	(12,000)	—	34,000
<i>(Note 2)</i>	762,000	—	—	—	762,000
<i>(Note 3)</i>	738,000	—	—	—	738,000
<i>(Note 4)</i>	936,000	—	—	—	936,000
Total employees	2,482,000	—	(12,000)	—	2,470,000
Total all categories	8,180,000	—	(64,000)	—	8,116,000

## SHARE OPTIONS (Cont'd)

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

**2012 Scheme**

	Outstanding at November 1, 2013	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2014
Category 1: Directors					
Mr. Lawrence Chia Song Huat					
<i>(Note 6)</i>	1,988,000	—	—	—	1,988,000
Mr. James Chia Song Heng					
<i>(Note 6)</i>	994,000	—	—	—	994,000
Mr. Mok Pui Keung					
<i>(Note 5)</i>	62,000	—	—	—	62,000
<i>(Note 8)</i>	36,000	—	—	—	36,000
Total Directors	3,080,000	—	—	—	3,080,000
Category 2: Employees					
<i>(Notes 5, 9)</i>	1,356,000	—	(16,000)	—	1,340,000
<i>(Note 6)</i>	994,000	—	—	—	994,000
<i>(Note 7)</i>	80,000	—	—	—	80,000
<i>(Note 8)</i>	470,000	—	—	—	470,000
Total employees	2,900,000	—	(16,000)	—	2,884,000
Total all categories	5,980,000	—	(16,000)	—	5,964,000

## SHARE OPTIONS (Cont'd)

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

*Notes:*

- (1) 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.
- (2) 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.
- (3) The exercise price is HK\$1.570. The option period during which the options may be exercised is the period from May 18, 2011 to May 17, 2016. The date of grant was May 17, 2011.
- (4) The exercise price is HK\$1.540. The option period during which the options may be exercised is the period from December 28, 2011 to June 23, 2016. The date of grant was June 23, 2011.
- (5) The exercise price is HK\$1.648. The option period during which the options may be exercised is the period from May 25, 2012 to May 24, 2017. The date of grant was May 24, 2012.
- (6) The exercise price is HK\$1.684. The option period during which the options may be exercised is the period from July 21, 2012 to July 20, 2017. The date of grant was July 20, 2012.
- (7) The exercise price is HK\$1.680. The option period during which the options may be exercised is the period from July 27, 2012 to July 26, 2017. The date of grant was July 26, 2012.
- (8) The exercise price is HK\$2.782. The option period during which the options may be exercised is the period from May 24, 2013 to May 23, 2018. The date of grant was May 23, 2013.
- (9) The weighted average closing price of share immediately before the date on which the options were exercised by employee is HK\$2.258.

## 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 average share price HK\$	Risk-free rate %	Annual dividend yield %
		Expected life of share options Year(s)				
<b>2002 Scheme</b>						
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
May 17, 2011	1.570	5.00	59.00	1.570	1.560	4.91
June 23, 2011	1.540	5.00	58.00	1.540	1.310	5.19
<b>2012 Scheme</b>						
May 24, 2012	1.648	5.00	57.00	1.630	0.420	4.94
July 20, 2012	1.684	5.00	57.00	1.684	0.260	5.09
July 26, 2012	1.680	5.00	56.00	1.680	0.210	5.09
May 23, 2013	2.782	5.00	45.00	2.782	0.570	5.35

- (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\$79,000 for the six months ended April 30, 2014 (six months ended April 30, 2013: HK\$894,000) 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, 2014, 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

Name of Shareholders	Number of shares/ underlying shares held	Percentage of issued share capital
Pine Asset Management Limited	462,167,186	38.00%
Denver Investment Advisors LLC (dba) Denver Investments and Clients	145,456,146	11.96%
DJE Investment S.A. (Note)	109,132,000	8.97%
Dr. Jens Ehrhardt Kapital AG	109,132,000	8.97%
Dr. Jens Alfred Karl Ehrhardt	109,132,000	8.97%

*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, 2014.

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

During the period ended April 30, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

During the six months ended April 30, 2014, the Company has complied with the code provisions (the “CG Code”) as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for the following deviations:

CG Code 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 four Independent Non-Executive Directors 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.

CG Code 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 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. 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, 2014.

## 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 27, 2014