



Build.
Together.  pico

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

Interim Report 2016

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, 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2016

	Note	For the six months ended April 30,	
		2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Turnover	2	2,024,872	1,884,643
Cost of sales		(1,448,770)	(1,356,197)
Gross profit		576,102	528,446
Other income		41,801	36,986
Distribution costs		(225,335)	(221,316)
Administrative expenses		(231,904)	(217,534)
Other operating expenses		(1,737)	(1,275)
Profit from operations		158,927	125,307
Finance costs	3	(86)	(554)
		158,841	124,753
Share of profits of associates		14,177	12,952
Share of losses of joint ventures		–	(245)
Profit before tax		173,018	137,460
Income tax expense	4	(42,210)	(30,554)
Profit for the period	5	130,808	106,906
Attributable to:			
Owners of the Company		128,723	109,184
Non-controlling interests		2,085	(2,278)
		130,808	106,906
EARNINGS PER SHARE	7		
Basic		10.54 cents	8.97 cents
Diluted		10.53 cents	8.96 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2016

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Profit for the period	130,808	106,906
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	12,378	(32,093)
Reserve reclassified to profit or loss on liquidation/ disposal of subsidiaries	(155)	(418)
Other comprehensive income for the period, net of tax	12,223	(32,511)
Total comprehensive income for the period	143,031	74,395
Attributable to:		
Owners of the Company	139,773	79,395
Non-controlling interests	3,258	(5,000)
	143,031	74,395

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2016

	Note	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Non-current Assets			
Investment properties		169,063	172,151
Property, plant and equipment	8	616,619	571,414
Prepaid land lease payments		64,239	66,350
Intangible assets	8	9,777	17,866
Interests in joint ventures		7,500	7,500
Interests in associates		147,293	141,811
Club membership		3,959	3,975
Available-for-sale financial assets	9	155	151
Other assets		–	12,214
Deferred tax assets		1,350	1,226
Loan due from an associate		9,325	9,351
		1,029,280	1,004,009
Current Assets			
Inventories		50,496	57,640
Contract work in progress		152,288	76,088
Debtors, deposits and prepayments	10	1,020,895	1,152,107
Amounts due from associates		13,392	12,657
Amounts due from joint ventures		174	2,596
Current tax assets		12,627	17,703
Pledged bank deposits		12,497	23,345
Bank and cash balances		986,409	1,009,707
		2,248,778	2,351,843
Current Liabilities			
Payments received on account		143,527	144,485
Creditors and accrued charges	11	1,292,578	1,400,713
Amounts due to associates		9,159	9,547
Current tax liabilities		60,059	52,685
Borrowings		187	186
Finance lease obligations		194	285
		1,505,704	1,607,901
Net Current Assets		743,074	743,942
Total Assets Less Current Liabilities		1,772,354	1,747,951

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At April 30, 2016

	<i>Note</i>	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Non-current Liabilities			
Finance lease obligations		231	269
Deferred tax liabilities		32,470	32,071
		32,701	32,340
NET ASSETS		1,739,653	1,715,611
Capital and Reserves			
Share capital	12	61,208	61,007
Reserves		1,649,728	1,620,343
Equity attributable to owners of the Company		1,710,936	1,681,350
Non-controlling interests		28,717	34,261
TOTAL EQUITY		1,739,653	1,715,611

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2016

	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	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
At November 1, 2015 (Audited)	61,007	735,168	854	(11,749)	6,294	(419,083)	24,523	3,740	21,658	1,258,918	1,681,350	34,261	1,715,611
Total comprehensive income for the period	-	-	-	-	-	-	-	-	11,050	128,723	139,773	3,258	143,031
Shares issued at premium	201	6,027	-	-	-	-	-	-	-	-	6,228	-	6,228
Exercise of equity-settled share-based payments	-	1,966	-	-	(1,996)	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	335	-	-	-	-	-	335	-	335
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(472)	(472)	472	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(894)	(894)
Transfer	-	18	-	-	(18)	-	11	-	-	(11)	-	-	-
2015 final and special dividends	-	-	-	-	-	-	-	-	-	(116,278)	(116,278)	-	(116,278)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(8,380)	(8,380)
At April 30, 2016 (Unaudited)	61,208	743,229	854	(11,749)	4,615	(419,083)	24,534	3,740	32,708	1,270,880	1,710,936	28,717	1,739,653
Representing:													
2016 interim dividend proposed										55,096			
Others										1,215,784			
Retained earnings at April 30, 2016 (Unaudited)										1,270,880			

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

For the six months ended April 30, 2015

	Attributable to owners of the Company												
	Share capital	Share premium	Capital		Equity-settled share-based payment		Goodwill	Assets			Retained earnings	Non-controlling interests	Total equity
			redemption reserve	reserve	reserve	reserve		Legal reserve	revaluation reserve	Transition reserve			
			HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000			
At November 1, 2014 (Audited)	60,811	727,674	854	(11,749)	7,259	(419,083)	27,765	3,740	104,444	1,110,120	1,611,835	49,076	1,660,911
Total comprehensive income for the period	-	-	-	-	-	-	(12)	-	(29,777)	108,184	79,395	(5,000)	74,395
Shares issued at premium	157	4,346	-	-	-	-	-	-	-	-	4,503	-	4,503
Exercise of equity-settled share-based payments	-	1,673	-	-	(1,673)	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	56	-	-	-	-	-	56	-	56
Payment to non-controlling interests upon on liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,872)	(1,872)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(982)	(982)	(501)	(1,483)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	174	174
Transfer	-	18	-	-	(18)	-	(2,832)	-	-	2,832	-	-	-
2014 final dividend	-	-	-	-	-	-	-	-	-	(73,161)	(73,161)	-	(73,161)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,246)	(2,246)
At April 30, 2015 (Unaudited)	60,968	733,711	854	(11,749)	5,624	(419,083)	24,921	3,740	74,667	1,147,993	1,621,646	39,831	1,661,277
Representing:													
2015 interim dividend proposed										54,905			
Others										1,093,088			
Retained earnings at April 30, 2015 (Unaudited)										1,147,993			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended April 30, 2016*

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Net cash generated from operating activities	106,574	325,011
Net cash (used in) generated from investing activities	(14,901)	918
Net cash used in financing activities	(118,576)	(78,363)
Net (decrease) increase in cash and cash equivalents	(26,903)	247,566
Cash and cash equivalents at beginning of the period	998,979	833,285
Effect of foreign exchange rate changes	4,593	(12,890)
Cash and cash equivalents at end of the period	976,669	1,067,961

Analysis of the balances of cash and cash equivalents

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Bank and cash balances	976,669	1,067,961

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2016

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, 2015.

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, 2015. 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 identity;
- 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 Unaudited HK\$'000	Brand signage and visual identity 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, 2016					
Revenue from external customers	1,396,517	199,896	242,868	185,591	2,024,872
Inter-segment revenue	141,129	4,699	20,113	-	165,941
Segment profits	136,576	17,657	8,330	34,623	197,186
Share of profits of associates	6,507	-	-	7,670	14,177
Interest income	1,434	938	215	32	2,619
Interest expenses	86	-	-	-	86
For the six months ended April 30, 2015					
Revenue from external customers	1,298,445	263,878	204,498	97,822	1,864,643
Inter-segment revenue	163,738	933	24,987	4,996	194,654
Segment profits, restated	107,110	35,111	2,095	11,563	155,879
Share of profits of associates	3,891	-	-	9,061	12,952
Share of losses of joint ventures	(245)	-	-	-	(245)
Interest income	2,570	2,002	80	113	4,765
Interest expenses	408	-	-	146	554

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

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000 (restated)
Revenue		
Total revenue of reportable segments	2,190,813	2,079,297
Elimination of inter-segment revenue	(165,941)	(194,654)
Consolidated revenue	2,024,872	1,884,643
Profit or loss		
Total profits of reportable segments, restated	197,186	155,879
Unallocated amounts:		
Corporate expenses	(24,168)	(18,419)
Consolidated profit before tax	173,018	137,460

3. FINANCE COSTS

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Interest on bank borrowings	76	536
Finance charges in respect of finance lease obligations	10	18
Total borrowing costs	86	554

4. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
The charge comprises:		
Profits tax for the period		
Hong Kong	1,562	3,023
Overseas	40,076	31,398
(Over) Under provision in prior periods		
Hong Kong	(11)	(7)
Overseas	699	(3,794)
Deferred tax	42,326 (116)	30,620 (66)
	42,210	30,554

Hong Kong profits tax is calculated at 16.5% (2015: 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

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation	22,924	25,284
Amortisation of intangible assets	415	1,093
Cost of inventories sold	74,483	121,650
Allowance for bad and doubtful debts	6,619	6,978
Loss on disposal of property, plant and equipment	102	18
Loss on disposal of a subsidiary	1,635	20
Loss on liquidation of an associate	–	1,237
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	925	922
and crediting:		
Interest income	2,619	4,765
Gain on disposal of available-for-sale financial assets, net	–	11
Gain on disposal of property, plant and equipment	–	449
Gain on disposal of subsidiaries	–	7,058
Gain on disposal of intangible assets	5,619	–
Gain on liquidation of subsidiaries	–	14

6. DIVIDENDS PAID

	For the six months ended April 30,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
2015 final dividend paid HK6.5 cents per share and special dividend paid HK3.0 cents per share (2015: 2014 final dividend paid HK6.0 cents per share)	116,278	73,161

Notes:

- (a) The 2015 final and special dividends of the year ended October 31, 2015 of HK\$116,278,000 (2015: 2014 final dividend of HK\$73,161,000) were approved after October 31, 2015 and 2014 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 (2015: HK4.5 cents) be payable on Thursday, July 28, 2016 to the shareholders on the register of members of the Company on Thursday, July 21, 2016.

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,	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	128,723	109,184

	For the six months ended April 30,	
	2016 Unaudited	2015 Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,221,613,544	1,217,067,750
Effect of dilutive potential ordinary shares in respect of options	778,224	1,071,796
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,222,391,768	1,218,139,546

8. CAPITAL EXPENDITURES

	Property, plant and equipment	Intangible assets
	HK\$'000	HK\$'000
Carrying amount as at November 1, 2015 (Audited)	571,414	17,866
Additions	62,117	-
Disposals	(230)	(7,680)
Disposal of a subsidiary	(354)	-
Depreciation charges/amortisation	(22,924)	(415)
Exchange adjustments	6,596	6
Carrying amount as at April 30, 2016 (Unaudited)	616,619	9,777

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	April 30, 2016 Unaudited	October 31, 2015 Audited
	HK\$'000	HK\$'000
Equity securities, unlisted	6,640	6,816
Less: Impairment loss recognised	(6,485)	(6,665)
	155	151

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\$794,623,000 (as at October 31, 2015: HK\$941,597,000), an ageing analysis, based on the invoice date and net of allowance, is as follows:

	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Less than 91 days	636,201	668,865
91 – 180 days	62,619	115,078
181 – 365 days	53,030	108,377
More than 1 year	42,773	49,277
	794,623	941,597

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$364,735,000 (as at October 31, 2015: HK\$468,423,000), an ageing analysis, based on the date of receipt of goods or services, is as follows:

	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Less than 91 days	226,407	277,662
91 – 180 days	48,634	67,451
181 – 365 days	31,498	56,496
More than 1 year	58,196	66,814
	364,735	468,423

12. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2016 Unaudited	October 31, 2015 Audited	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Ordinary share of HK\$0.05 each Authorised:				
At beginning and end of the period/year	2,400,000,000	2,400,000,000	120,000	120,000
Issued and fully paid:				
At beginning of the period/year	1,220,128,104	1,216,216,104	61,007	60,811
Exercise of share options (<i>Note</i>)	4,032,000	3,912,000	201	196
At end of the period/year	1,224,160,104	1,220,128,104	61,208	61,007

Note:

During the period, 194,000, 3,742,000, 82,000 and 14,000 shares were issued at HK\$1.570, HK\$1.540, HK\$1.648 and HK\$1.900 per share respectively as a result of the exercise of share options of the Company (year ended October 31, 2015: 3,564,000, 250,000, 12,000, 80,000 and 6,000 shares were issued at HK\$1.416, HK\$1.570, HK\$1.648, HK\$1.680 and HK\$1.900 per share respectively).

13. PLEDGE OF ASSETS

At April 30, 2016, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Freehold land and buildings	12,683	11,843
Leasehold land and buildings	13,161	13,340
Pledged bank deposits	12,497	23,345
Guarantee deposits	947	986
	39,288	49,514

14. COMMITMENTS

(a) Operating Lease Commitments

At April 30, 2016, 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, 2016		October 31, 2015	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Not later than one year	19,860	400	17,415	419
Later than one year and not later than five years	26,760	453	22,463	601
Later than five years	103,027	-	95,197	-
	149,647	853	135,075	1,020

(b) Capital Commitments

	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment		
— contracted but not provided for	63,608	110,301
— authorised but not contracted for	9,580	3,664
	73,188	113,965

The Company did not have any other significant capital commitments at April 30, 2016.

15. CONTINGENT LIABILITIES

Financial Guarantees issued

At April 30, 2016, the Group has issued the following guarantees:

	THE GROUP		THE COMPANY	
	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000	April 30, 2016 Unaudited HK\$'000	October 31, 2015 Audited HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	–	–	832,746	865,195
Performance guarantees				
– secured	68,647	117,380	–	–
– unsecured	30,347	31,502	–	–
	98,994	148,882	–	–
Other guarantees				
– secured	1,296	–	–	–
– unsecured	–	38	–	–
	1,296	38	–	–

At April 30, 2016, 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, 2016							At April 30, 2016	
	Exhibition income	Sub-	Management fee income	Property			Other expense	Receivables	Payables
		contracting fee paid		rental income	Property rental paid	Other income			
	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	6,797	18,807	3,477	256	-	471	112	22,717	9,159
Joint ventures	2	-	-	18	-	7	-	174	-
Related companies	-	200	-	72	293	-	112	7	303

	For the six months ended April 30, 2015							At October 31, 2015	
	Exhibition income	Sub-	Management fee income	Property			Other expense	Receivables	Payables
		contracting fee paid		rental income	Property rental paid	Other income			
	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	1,445	18,805	2,606	6,703	-	1,932	-	22,008	9,547
Joint ventures	47	-	249	-	-	251	-	2,596	-
Related companies	-	674	-	72	293	-	-	5	482

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, 2016 (six months ended April 30, 2015: HK4.5 cents). The interim dividend will be payable on Thursday, July 28, 2016 to shareholders on the register of members of the Company on Thursday, July 21, 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Monday, July 18, 2016 to Thursday, July 21, 2016, 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, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 pm on Friday, July 15, 2016.

BUSINESS REVIEW AND PROSPECTS

Results

Group revenue for the six months ended April 30, 2016 increased by 7.4% compared with the previous corresponding period to HK\$2,025 million. Profit attributable to owners of the Company increased by 17.9% to HK\$129 million due to higher turnover and better cost control. Basic earnings per share is HK10.54 cents, as compared to HK8.97 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 corresponding period.

Review of Operations

This year continues to be a challenging business year for the Group. The world economy has not found its own strength and growth sentiment is still weak. While three of the four business segments recorded an increase in turnover, the brand signage and visual identity segment was more directly impacted by the slowdown in the Chinese economy against this backdrop of a weak global economy.

Performance by Business Segment:

- Exhibition and Event Marketing Services: recorded a 7.6% increase in turnover to HK\$1,396 million compared with the previous corresponding period.
- Brand Signage and Visual Identity: recorded a 29.5% decrease in turnover to HK\$200 million.
- Museum, Themed Environment, Interior and Retail: recorded an increase of 18.8% to HK\$243 million.
- Conference and Show Management: recorded an increase of 89.7% to HK\$186 million.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services segment

Our service scope for this segment has grown extensively over the past few years. Building on our well-established reputation, we delivered a wide variety of marketing-related activities – from activating trade shows for organisers to managing cross-country road shows, media and dealer events. We also increased our coverage of growing markets like art shows and auction events.

Highlights of the exhibitions and events completed in the first six months of this year include:

1. The 9th China Commercial Information Meeting in Xi'an, China
2. The 18th International Conference & Exhibition on Liquefied Natural Gas (LNG18) in Perth, Australia
3. The 32nd Thailand International Motor Expo; the 37th Bangkok International Motor Show; the 86th Geneva International Motor Show; Auto China in Beijing; Automechanika Shanghai 2015; Qatar Motor Show; Singapore Motorshow
4. Art Carnival 2015 in Singapore; Art Central in Hong Kong
5. BMW Masters 2015 in Shanghai
6. China Mobile Global Partners Conference in Guangzhou
7. China Sourcing Fair in Hong Kong
8. Disney Live! Mickey's Music Festival in Manama
9. Dubai Airshow; Singapore Airshow
10. Information Technology Month, held in four cities in Taiwan
11. McDonald's China Managers' Convention in Seoul
12. Mercedes-Benz National Dealer Conference in Stuttgart
13. National Science and Technology Fair in Bangkok
14. ProPak Vietnam in Ho Chi Minh City
15. YONEX Dealers' Conferences in Beijing, Guangzhou and Shanghai

We continue to provide exhibition and event marketing services to several major car brands in Asia including Aston Martin, Bentley, Brilliance Auto, Chevrolet, Dongfeng, Dongfeng Peugeot, GAC Fiat Chrysler, Ford, Geely, Harley-Davidson, Hyundai, Infiniti, Jaguar Land Rover, Leopaard, Lexus, McLaren, Mitsubishi, Nissan, Porsche, SAIC, Soueast, Venucia and Volvo.

Continuing the Singapore 50th anniversary celebrations held in 2015, we completed projects for the Singapore Tourism Board, the Housing & Development Board and several other SG50 organisers with the delivery of a number of high-profile anniversary events in the first half of this financial year such as the Singapore: Inside Out exhibition, the SG Heart Map project and The Future of Us exhibition.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services segment (Cont'd)

Other major events held in Singapore were the i Light Marina Bay and the HSBC Rugby Sevens, while elsewhere in Asia, Pico delivered events for premier names in the financial sector including Bloomberg, BNP Paribas Hong Kong, Goldman Sachs (Asia) and JP Morgan. In Shanghai, we continue to provide operations management services to the Fung Group's Explorium, an omni-channel laboratory and exhibition space dedicated to experimenting with new retail marketing trends.

As art events continue to boom in Hong Kong and the wider Asian region, we have been successfully involved in a number of events for the art world. In the first half of the year, we provided services for auction events to Bonhams, Hanhai Auction, K Auction, Poly Auction and Tokyo Chuo Auction in Hong Kong and Macau.

Brand Signage and Visual Identity segment

During the period under review, we continued to provide visual identity solutions for major car brands in China, namely Bentley, Brilliance Auto, Cadillac, Chevrolet, Jaguar Land Rover, Jiangling Motors (JMC), Lexus, Lincoln, Mercedes-Benz, Qoros and Shanghai General Motors (SGM). We also provided signage solutions for Bentley, Chevrolet, Infiniti, Jaguar Land Rover, Mercedes-Benz, Rousseau-Renault and Rolls-Royce on a worldwide basis. Our contracts with these car brands will continue into the second half of the year, during which time we will also commence new contracts with Trumpchi for Guangzhou Automobile Group (GAC), Nissan and other brands.

We also supplied environmental graphics and signage packages to Shanghai Disneyland which opened on June 16, 2016.

We will continue to diversify our portfolio by creating signage solutions for clients across a wide variety of industries. In the first half of the year, we delivered signage for clients including Mary Kay and Suning in the retail sector, while in the hospitality sector we provided solutions for the InterContinental Hotels Group (IHG) and Pullman, an upscale international brand under the AccorHotels Group. Other high-profile clients included Sinopec and the Agricultural Bank of China.

We have further extended our reach into the infrastructure industry. In southwest China, we have been engaged to supply high-end wayfinding solutions for travellers at Chongqing Jiangbei International Airport and Guiyang Longdongbao International Airport. Both projects will be completed by the end of 2016.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Brand Signage and Visual Identity segment (Cont'd)

Our work with Hong Kong's MTR Corporation to supply signage for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link will commence in the second half of the year and continue into 2017.

In the second half of the year, we will also be providing signage solutions to HUALUXE – IHG's first upscale international hotel brand specifically aimed at Chinese consumers.

The Group's overall brand signage and visual identity business has a strong and growing foundation in China, and is experiencing visible growth in overseas markets. We expect to see better results in this segment in the second half of the financial year.

Museum, Themed Environment, Interior and Retail segment

During the period, the Group completed a number of successful museum and interior fit-out projects in various parts of the world:

1. Abbott showroom in Tianjin, China
2. Amway retail stores in 14 cities in China
3. HNA Group Exhibition Hall in Haikou, China
4. Hong Kong Red Cross Humanitarian Education Centre
5. Huawei G1 Showroom in Shenzhen, China
6. Kimberly Clark office in Petaling Jaya, Malaysia
7. Mediacorp Tour Experience Gallery in Singapore
8. Panasonic product display units in retail stores in Vietnam
9. Shanghai Disneyland
10. Singapore Consulate in Dubai

We have substantially completed two theming work contracts with Shanghai Disneyland in addition to our work in providing environmental graphics and signage packages mentioned earlier.

Moving forward, for the remainder of this year we will be focusing on our work at the three Wanda movie parks, located in Nanchang, Qingdao and Wuxi in China. Late May saw the opening of Wanda Cultural Tourism City in Nanchang in Jiangxi Province. This enormous park complex features an indoor movie park, an outdoor theme park, an aquarium, hotels and retail stores. The Wanda Group expects the complex to attract 10 million visitors a year. Pico delivered design and construction services for the movie park, which is comprised of two interactive zones, along with the public areas. Meanwhile, our design contract for the Wanda movie park in Wuxi will continue into the second half of this year; while the fabrication work for a 3D theatre in the Wanda movie park in Qingdao is on track to be completed at the end of 2017.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Museum, Themed Environment, Interior and Retail segment (Cont'd)

Other contracts which either have been or will be completed in the latter half of this financial year include several interior fit-out projects commissioned by China Resources Land in Shenzhen; a GE Healthcare showroom in Beijing; a Huawei showroom in Nuremberg, Germany; the Hub Zero Family Entertainment Centre in Dubai; King Prajadhipok's Institute in Bangkok; Mercedes-Benz showrooms in Taiwan; a number of Panasonic retail stores in Asia — Indonesia, Singapore, Thailand and Vietnam; and the Yangtze River Civilisation Museum in Wuhan, China.

The Group also has a number of upcoming large-scale contracts which will begin later this financial year, including the 3M Innovation Centre in Dubai; the BCA Gallery for the Building & Construction Authority in Singapore; a renovation project for the grandstand at The Hong Kong Jockey Club's Shatin Racecourse; and The Venetian Macao and Wynn Palace in Macau.

Finally, the construction of the Rama IX Museum, commissioned by the National Science Museum of Thailand, is proceeding towards meeting its target completion date in 2018.

Conference and Show Management segment

During the period under review, the Group continued contracts for a number of recurring shows and added several new shows to our portfolio. Highlights of the first half of this financial year include:

1. The Décor show in Singapore
2. Global Pound Conference series in Singapore
3. Incentive Travel and Conventions, Meetings China in Shanghai
4. International Furniture Fair Singapore
5. ITMA 2015 (Internationale Textilmaschinen Ausstellung textile machinery show) in Milan
6. Madrid Fusión Manila International Gastronomy Congress in Manila
7. Manufacturing Technology World 2015 in Manila
8. Pet Expo in Singapore

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Conference and Show Management segment (Cont'd)

The Group will deliver a number of high-profile shows in the second half of this financial year – both recurrent and new. In the Philippines, we will present COMMWORLD and Green Philippines in Manila; Philconstruct in Cebu; and the Pack Print Plus Philippines series in Cebu, Davao and Manila. Elsewhere in Asia we will deliver the Singapore Summit, Oishii Japan in Singapore, India Security Expo in Mumbai, and the Myanmar Security Expo in Yangon.

Earlier this year, the project team began preparing for ITMA Asia and CITME (China International Textile Machinery Exhibition), the Asian edition of ITMA, to be held in Shanghai in October. The last ITMA Asia and CITME show, held in 2014 in Shanghai, was the largest and most successful combined show to date, and the organiser anticipates an even more impressive turnout of exhibitors and visitors this year.

Liquidity and Financial Information

As at period end date, the total net tangible assets attributable to owners of the Company of the Group increased by 2.3% to about HK\$1,701 million (as at October 31, 2015: HK\$1,663 million).

Bank and cash balances amounted to HK\$998.9 million (as at October 31, 2015: HK\$1,033.0 million), including HK\$12.5 million pledged bank deposits (as at October 31, 2015: HK\$23.3 million). Deducting interest bearing external borrowings from cash and bank balances, the net cash balance was HK\$998.7 million (as at October 31, 2015: HK\$1,032.8 million).

Total bank borrowings were HK\$0.2 million at April 30, 2016 (as at October 31, 2015: HK\$0.2 million). They are mainly denominated in Korean Won and the interest is charged on fixed rate basis.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Liquidity and Financial Information (Cont'd)

	April 30, 2016 Unaudited HK\$' million	October 31, 2015 Audited HK\$' million
Bank and cash balances	986.4	1,009.7
Pledged bank deposits	12.5	23.3
Less: Bank borrowings	(0.2)	(0.2)
Net cash balance	998.7	1,032.8

For the six months ended April 30, 2016, the Group invested HK\$62 million (year ended October 31, 2015: HK\$36 million) in purchase of property, plant and equipment, other tangible and intangible assets. All these were financed from internal resources.

The Group has no long term borrowings at April 30, 2016 and October 31, 2015. The current ratio was 1.49 times (as at October 31, 2015: 1.46 times) and the liquidity ratio was 1.36 times (as at October 31, 2015: 1.38 times).

	April 30, 2016	October 31, 2015
Current ratio (current assets/current liabilities)	1.49 times	1.46 times
Liquidity ratio (current assets – excluding inventories and contract work in progress/current liabilities)	1.36 times	1.38 times
Gearing ratio (long term borrowings/total assets)	N/A	N/A

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.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Employees and Emoluments Policies

At April 30, 2016, the Group employs a total of over 2,000 full time employees 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\$353 million (six months ended April 30, 2015: HK\$344 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.

Prospects

Upcoming highlights of the latter half of this financial year include the provision of project and event management services for the FIA Formula E Hong Kong ePrix, the debut of electric motorsport on the streets of Hong Kong which will be held in October 2016. In fulfilment of the fourth year of our renewed five-year contract with Formula One Singapore Grand Prix 2016, we will be designing and fabricating the grandstand, government suites for the Singapore Tourism Board, corporate suites and the F1 Team hospitality suites.

Once again we have been appointed to handle the Singapore National Day Parade which will be held in August.

At the forthcoming Rio 2016 Olympics, Pico Brazil will be supporting global media giants BBC by fabricating their broadcasting studio and NBC by providing seven catering tents with fully-functioning kitchens over five zones. For Procter & Gamble (P&G), we will be creating the P&G Family Home, which spans over 2,000 sq. m. at the Hotel Royal Tulip Rio de Janeiro; and an all-in-one salon that provides entertainment, refreshments and grooming services at the Olympic Village, which will operate through to the Paralympics in September.

We have continued to strengthen our presence in Asia. During the period under review, we opened three new offices in China – in Chongqing, Henan and Shenyang. Our office in Kazakhstan has begun marketing work for EXPO 2017 which will be held in Astana, Kazakhstan. The Astana Expo will be the tenth exposition in our portfolio. Over the past 30 years, Pico has carried out numerous projects involving almost 80 expo pavilions in nine world expositions. We will rely on this solid experience to win projects in Astana.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Prospects (Cont'd)

As we do not have any significant exposure in the UK, we do not expect Brexit to have any adverse impact on our business.

A distinctive characteristic of the exhibition industry is that there will be more shows and events in the second half of the calendar year. The Group is well poised to capture every available opportunity which will arise in the second half of the year.

DIRECTORS' INTERESTS IN SHARES

At April 30, 2016, 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:

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)	7,258,000	–	7,258,000	0.59%
Mr. James Chia Song Heng	(Note 2)	3,730,000	–	3,730,000	0.30%
Ms. Jean Chia Yuan Jiun		–	–	–	–
Mr. Mok Pui Keung	(Note 3)	612,000	–	612,000	0.05%
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 3,670,000 shares and interest in 3,588,000 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 1,936,000 shares and interest in 1,794,000 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 506,000 shares and interest in 106,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".

DIRECTORS' INTERESTS IN SHARES (Cont'd)

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, 2015	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2016
<i>Category 1: Directors</i>					
Mr. Lawrence Chia Song Huat					
	(Notes 2, 8)	1,870,000	-	(1,870,000)	-
Mr. James Chia Song Heng					
	(Notes 2, 8)	936,000	-	(936,000)	-
Total Directors		2,806,000	-	(2,806,000)	-
<i>Category 2: Employees</i>					
	(Notes 1, 8)	506,000	-	(194,000)	312,000
	(Notes 2, 8)	936,000	-	(936,000)	-
Total employees		1,442,000	-	(1,130,000)	312,000
Total all categories		4,248,000	-	(3,936,000)	312,000

SHARE OPTIONS (Cont'd)

(i) Outstanding options (Cont'd)
2012 Scheme

	Outstanding at November 1, 2015	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2016
<i>Category 1: Directors</i>					
Mr. Lawrence Chia Song Huat					
	(Note 4)	1,988,000	-	-	1,988,000
	(Note 7)	1,600,000	-	-	1,600,000
Mr. James Chia Song Heng					
	(Note 4)	994,000	-	-	994,000
	(Note 7)	800,000	-	-	800,000
Mr. Mok Pui Keung					
	(Notes 3, 8)	62,000	-	(62,000)	-
	(Note 5)	36,000	-	-	36,000
	(Note 6)	28,000	-	-	28,000
	(Note 7)	42,000	-	-	42,000
Total Directors		5,550,000	-	(62,000)	5,488,000
<i>Category 2: Employees</i>					
	(Notes 3, 8)	1,286,000	-	(20,000)	1,266,000
	(Note 4)	994,000	-	-	994,000
	(Note 5)	432,000	-	(18,000)	414,000
	(Notes 6, 8)	624,000	-	(14,000)	610,000
	(Note 7)	1,250,000	-	(12,000)	1,238,000
Total employees		4,586,000	-	(34,000)	4,522,000
Total all categories		10,136,000	-	(96,000)	10,010,000

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

- (1) The exercise price is HK\$1.570. The option period during which the options may be exercised was the period from May 18, 2011 to May 17, 2016. The date of grant was May 17, 2011.
- (2) The exercise price is HK\$1.540. The option period during which the options may be exercised was the period from December 28, 2011 to June 23, 2016. The date of grant was June 23, 2011.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) The exercise price is HK\$1.900. The option period during which the options may be exercised is the period from May 26, 2014 to May 23, 2019. The date of grant was May 23, 2014.
- (7) The exercise price is HK\$2.420. The option period during which the options may be exercised is the period from May 22, 2015 to May 21, 2020. The date of grant was May 21, 2015.
- (8) The weighted average closing price of share immediately before the date on which the options were exercised by employee is HK\$1.888.

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
		expected life of share options Year(s)		average share price HK\$		dividend yield %
2002 Scheme						
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
2012 Scheme						
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
May 23, 2013	2.782	5.00	45.00	2.782	0.570	5.35
May 23, 2014	1.900	5.00	33.00	1.900	1.190	5.13
May 21, 2015	2.420	5.00	29.00	2.420	1.220	5.25

- (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\$335,000 for the six months ended April 30, 2016 (six months ended April 30, 2015: HK\$56,000) 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, 2016, 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	37.75%
FMR LLC	117,086,000	9.56%

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, 2016.

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

During the period ended April 30, 2016, 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, 2016, 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.

CORPORATE GOVERNANCE (Cont'd)

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, 2016.

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 28, 2016