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CHANGE  pico

Interim Report 2017

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, 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2017

	Note	For the six months ended April 30,	
		2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue	2	1,710,063	2,024,872
Cost of sales		(1,174,691)	(1,448,770)
Gross profit		535,372	576,102
Other income		31,590	41,801
Distribution costs		(220,772)	(225,335)
Administrative expenses		(201,819)	(231,904)
Other operating expenses		(126)	(1,737)
Profit from operations		144,245	158,927
Finance costs	3	(2,074)	(86)
		142,171	158,841
Share of profits of associates		14,934	14,177
Share of losses of joint ventures		(57)	–
Profit before tax		157,048	173,018
Income tax expense	4	(30,306)	(42,210)
Profit for the period	5	126,742	130,808
Attributable to:			
Owners of the Company		123,744	128,723
Non-controlling interests		2,998	2,085
		126,742	130,808
EARNINGS PER SHARE	7		
Basic		10.09 cents	10.54 cents
Diluted		10.08 cents	10.53 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2017

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Profit for the period	126,742	130,808
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(15,243)	12,378
Reserve reclassified to profit or loss on disposal of a subsidiary	-	(155)
Other comprehensive income for the period, net of tax	(15,243)	12,223
Total comprehensive income for the period	111,499	143,031
Attributable to:		
Owners of the Company	109,725	139,773
Non-controlling interests	1,774	3,258
	111,499	143,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2017

	Note	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Non-current Assets			
Investment properties		175,207	177,493
Property, plant and equipment	8	579,195	583,918
Prepaid land lease payments		89,756	92,342
Intangible assets	8	8,516	9,009
Interests in joint ventures		582	654
Interests in associates		147,310	141,301
Club membership		3,892	3,904
Available-for-sale financial assets	9	493	151
Deferred tax assets		1,854	1,888
Loan due from an associate		9,282	9,328
		1,016,087	1,019,988
Current Assets			
Inventories		53,193	41,884
Contract work in progress		90,225	132,748
Debtors, deposits and prepayments	10	1,261,136	1,278,932
Amounts due from associates		9,396	16,245
Amounts due from joint ventures		33	258
Current tax assets		5,262	9,927
Pledged bank deposits		11,174	6,426
Bank and cash balances		1,090,769	1,030,003
		2,521,188	2,516,423
Current Liabilities			
Payments received on account		247,953	163,105
Creditors and accrued charges	11	1,316,719	1,378,992
Amounts due to associates		9,966	14,131
Amounts due to joint ventures		52	–
Current tax liabilities		49,418	59,634
Borrowings		32,544	189
Finance lease obligations		–	9
		1,656,652	1,616,060
Net Current Assets		864,536	900,363
Total Assets Less Current Liabilities		1,880,623	1,920,351

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At April 30, 2017

	<i>Note</i>	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Non-current Liabilities			
Borrowings		76,124	79,593
Deferred tax liabilities		34,663	34,243
		110,787	113,836
NET ASSETS			
		1,769,836	1,806,515
Capital and Reserves			
Share capital	12	61,463	61,245
Reserves		1,682,859	1,719,060
Equity attributable to owners of the Company			
		1,744,322	1,780,305
Non-controlling interests			
		25,514	26,210
TOTAL EQUITY			
		1,769,836	1,806,515

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2017

	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Equity-settled share-based		Goodwill reserve	Legal reserve	Assets		Retained earnings	Total	Non-controlling interests	Total equity
				Capital reserve	payment reserve			revaluation reserve	Translation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At November 1, 2016 (Audited)	61,245	744,868	854	(11,749)	5,379	(419,083)	24,993	3,740	(17,045)	1,387,103	1,780,305	26,210	1,806,515
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(14,019)	123,744	109,725	1,774	111,499
Shares issued at premium	218	7,384	-	-	-	-	-	-	-	-	7,602	-	7,602
Exercise of equity-settled share-based payments	-	2,073	-	-	(2,073)	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	347	-	-	-	-	-	347	-	347
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,599	1,599
Transfer	-	12	-	-	(12)	-	331	-	-	(331)	-	-	-
2016 final and special dividends	-	-	-	-	-	-	-	-	-	(153,657)	(153,657)	-	(153,657)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,069)	(4,069)
At April 30, 2017 (Unaudited)	61,463	754,337	854	(11,749)	3,641	(419,083)	25,324	3,740	(31,064)	1,356,859	1,744,322	25,514	1,769,636
Representing:													
2017 interim dividend proposed										55,350			
Others										1,301,509			
Retained earnings at April 30, 2017 (Unaudited)										1,356,859			

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

For the six months ended April 30, 2016

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Equity-settled share-based		Goodwill reserve HK\$'000	Legal reserve HK\$'000	Assets		Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				Capital reserve HK\$'000	payment reserve HK\$'000			revaluation reserve HK\$'000	Translation reserve HK\$'000				
At November 1, 2015 (Audited)	61,007	735,188	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	-	1,996	-	-	(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 CASH FLOWS

For the six months ended April 30, 2017

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Net cash generated from operating activities	200,489	106,574
Net cash used in investing activities	(12,542)	(14,901)
Net cash used in financing activities	(118,534)	(118,576)
Net increase (decrease) in cash and cash equivalents	69,413	(26,903)
Cash and cash equivalents at beginning of the period	1,020,982	998,979
Effect of foreign exchange rate changes	(6,045)	4,593
Cash and cash equivalents at end of the period	1,084,350	976,669

Analysis of the balances of cash and cash equivalents

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Bank and cash balances	1,084,350	976,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2017

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, 2016.

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, 2016. 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. REVENUE 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. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	Exhibition and event marketing services	Brand signage and visual identity	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

For the six months ended April 30, 2017

Revenue from external customers	1,381,400	142,981	161,306	24,376	1,710,063
Inter-segment revenue	140,277	21,816	19,912	-	182,005
Segment profits	122,659	13,282	26,632	7,651	170,224
Share of profits of associates	5,422	-	-	9,512	14,934
Share of losses of joint ventures	(57)	-	-	-	(57)
Interest income	1,613	565	698	24	2,900
Interest expenses	2,074	-	-	-	2,074

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

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

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue		
Total revenue of reportable segments	1,892,068	2,190,813
Elimination of inter-segment revenue	(182,005)	(165,941)
Consolidated revenue	1,710,063	2,024,872
Profit or loss		
Total profits of reportable segments	170,224	197,186
Unallocated amounts:		
Corporate expenses	(13,176)	(24,168)
Consolidated profit before tax	157,048	173,018

3. FINANCE COSTS

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Interest on bank borrowings	2,074	76
Finance charges in respect of finance lease obligations	-	10
Total borrowing costs	2,074	86

4. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
The charge comprises:		
Profits tax for the period		
Hong Kong	4,057	1,562
Overseas	25,368	40,076
Under (Over) provision in prior periods		
Hong Kong	88	(11)
Overseas	315	699
	29,828	42,326
Deferred tax	478	(116)
	30,306	42,210

Hong Kong profits tax is calculated at 16.5% (2016: 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,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation	21,788	22,924
Amortisation of intangible assets	398	415
Cost of inventories sold	58,868	74,483
Allowance for bad and doubtful debts	757	6,619
Loss on disposal of property, plant and equipment	–	102
Loss on disposal of a subsidiary	–	1,635
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	1,377	925
and crediting:		
Interest income	2,900	2,619
Gain on disposal of property, plant and equipment	148	–
Gain on disposal of an associate	27	–
Gain on disposal of intangible assets	–	5,619

6. DIVIDENDS PAID

	For the six months ended April 30,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
2016 final dividend paid HK7.5 cents per share and special dividend paid HK5.0 cents per share (2016: 2015 final dividend paid HK6.5 cents per share and special dividend paid HK3.0 cents per share)	153,657	116,278

Notes:

- (a) The 2016 final and special dividends of the year ended October 31, 2016 of HK\$153,657,000 (2016: 2015 final and special dividends of HK\$116,278,000) were approved after October 31, 2016 and 2015 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 (2016: HK4.5 cents) be payable on Friday, July 28, 2017 to the shareholders on the register of members of the Company on Friday, July 21, 2017.

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,	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	123,744	128,723

	For the six months ended April 30,	
	2017 Unaudited	2016 Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,226,226,966	1,221,613,544
Effect of dilutive potential ordinary shares in respect of options	1,307,327	778,224
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,227,534,293	1,222,391,768

8. CAPITAL EXPENDITURES

	Property, plant and equipment	Intangible assets
	HK\$'000	HK\$'000
Carrying amount as at November 1, 2016 (Audited)	583,918	9,009
Additions	22,118	–
Disposals	(441)	–
Depreciation charges/amortisation	(21,788)	(398)
Exchange adjustments	(4,612)	(95)
Carrying amount as at April 30, 2017 (Unaudited)	579,195	8,516

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Equity securities, at cost, unlisted	7,073	6,731
Less: Impairment loss recognised	(6,580)	(6,580)
	493	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\$970,629,000 (as at October 31, 2016: HK\$1,064,693,000), an aging analysis, based on the invoice date and net of allowance, is as follows:

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Less than 91 days	734,689	754,657
91 – 180 days	145,658	133,239
181 – 365 days	64,413	148,601
More than 1 year	25,869	28,196
	970,629	1,064,693

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$381,041,000 (as at October 31, 2016: HK\$429,575,000), an aging analysis, based on the date of receipt of goods or services, is as follows:

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Less than 91 days	215,936	264,231
91 – 180 days	76,243	75,564
181 – 365 days	36,756	31,135
More than 1 year	52,106	58,645
	381,041	429,575

12. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2017 Unaudited	October 31, 2016 Audited	April 30, 2017 Unaudited HK\$'000	October 31, 2016 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	1,224,896,104	1,220,128,104	61,245	61,007
Exercise of share options (Note)	4,362,000	4,768,000	218	238
At end of the period/year	1,229,258,104	1,224,896,104	61,463	61,245

Note:

During the period, 78,000, 3,976,000, 120,000, 8,000, 162,000 and 18,000 shares were issued at HK\$1.648, HK\$1.684, HK\$2.782, HK\$1.900, HK\$2.420 and HK\$2.040 per share respectively as a result of the exercise of share options of the Company (year ended October 31, 2016: 392,000, 3,742,000, 594,000 and 40,000 shares were issued at HK\$1.570, HK\$1.540, HK\$1.648 and HK\$1.900 per share respectively).

13. PLEDGE OF ASSETS

At April 30, 2017, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Freehold land and buildings	10,976	11,810
Leasehold land and buildings	130,297	134,550
Pledged bank deposits	11,174	6,426
Guarantee deposits	2,598	4,224
	155,045	157,010

14. COMMITMENTS

(a) Operating Lease Commitments

At April 30, 2017, 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, 2017		October 31, 2016	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Not later than one year	14,018	270	19,636	329
Later than one year and not later than five years	18,793	228	22,028	353
Later than five years	97,602	-	97,547	-
	130,413	498	139,211	682

(b) Capital Commitments

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment and other investment		
— contracted but not provided for	16,815	24,486
— authorised but not contracted for	9,016	9,144
	25,831	33,630

The Company did not have any other significant capital commitments at April 30, 2017.

15. CONTINGENT LIABILITIES

Financial Guarantees issued

At April 30, 2017, the Group has issued the following guarantees:

	April 30, 2017 Unaudited HK\$'000	October 31, 2016 Audited HK\$'000
Performance guarantees		
— secured	18,939	53,520
— unsecured	20,580	21,836
	39,519	75,356
Other guarantees		
— secured	5,155	2,159

At April 30, 2017, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

16. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2017			For the six months ended April 30, 2016		
	Associates	Joint	Related	Associates	Joint	Related
	Unaudited HK\$'000	ventures Unaudited HK\$'000	companies Unaudited HK\$'000	Unaudited HK\$'000	ventures Unaudited HK\$'000	companies Unaudited HK\$'000
Exhibition Income	1,644	157	-	6,797	2	-
Sub-contracting fee paid	11,709	-	1,124	18,807	-	200
Management fee income	2,516	-	-	3,477	-	-
Property rental income	245	18	72	256	18	72
Property rental expenses	-	-	354	-	-	293
Consultancy fee expenses	-	-	-	112	-	-
Other income	1,059	3	96	471	7	-
Other expenses	-	-	-	-	-	112

	At April 30, 2017			At October 31, 2016		
	Associates	Joint	Related	Associates	Joint	Related
	Unaudited HK\$'000	ventures Unaudited HK\$'000	companies Unaudited HK\$'000	Audited HK\$'000	ventures Audited HK\$'000	companies Audited HK\$'000
Receivables	18,678	33	5	25,573	258	11
Payables	9,966	52	410	14,131	-	360

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, 2017 (six months ended April 30, 2016: HK4.5 cents). The interim dividend will be payable on Friday, July 28, 2017 to shareholders on the register of members of the Company on Friday, July 21, 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Tuesday, July 18, 2017 to Friday, July 21, 2017, 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 Monday, July 17, 2017.

BUSINESS REVIEW AND PROSPECTS

Results

Group revenue for the six months ended 30 April 2017 was HK\$1,710 million, a decrease of 15.6% compared with the previous corresponding period. Due to better cost control, profits attributable to owners of the company decreased only slightly by 3.9% to HK\$124 million (2016: HK\$129 million).

Basic earnings per share is HK10.09 cents (2016: HK10.54 cents). The Board has recommended an interim dividend of HK4.5 cents per ordinary share (2016: HK4.5 cents).

Review of Operations

The Group's overall performance during the first six months was encouraging, although there were fewer special projects recorded during the period under review compared with the previous corresponding period. Moreover, the lower exchange rates of many currencies translated into stronger reporting currency, the Hong Kong dollars, accounted for about 3% of the decrease in revenue compared with the previous corresponding period.

In 2015, some special events held in Singapore in conjunction with the SG50 anniversary celebration stretched into the first half of 2016. Their revenues were partially recorded in the Exhibition and Event Marketing Services segment of the previous corresponding period.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

In the Conference and Show Management segment, revenue decreased due to the absence of the quadrennial mega ITMA (International Textile Machinery Association) trade show which was held in November 2015 in Milan, Italy.

Furthermore, the substantial completion of our work at Shanghai Disneyland in 2016 reduced business volume in the Museum, Themed Environment, Interior and Retail segment this year.

The Brand Signage and Visual Identity segment continues to experience some reduction in signage spending by automobile dealers in China.

However, the core business of Exhibition and Event Marketing Services remains resilient. While overall Group revenue declined by 15.6%, the Exhibition and Event Marketing Services segment decreased very slightly by 1.1% although the revenue contributed to this segment by the one-off SG50 events in the previous corresponding period was greater than this amount.

Performance by business segment:

- Exhibition and Event Marketing Services recorded a slight 1.1% decrease in revenue to HK\$1,382 million (2016: HK\$1,397 million).
- Brand Signage and Visual Identity recorded a 28.5% decrease in revenue to HK\$143 million (2016: HK\$200 million).
- Museum, Themed Environment, Interior and Retail recorded a 33.6% decrease in revenue to HK\$161 million (2016: HK\$243 million).
- Conference and Show Management recorded a 86.9% decrease in revenue to HK\$24 million (2016: HK\$185 million).

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services segment

Building on our established reputation, Pico's service offerings in this segment have become broader in scope over the past few years, enabling us to successfully expand our services from strategies to execution for brand-enhancing events like cross-country road shows and media and dealer events.

During the first six months of this year, Pico was appointed as official service provider by organisers or engaged by individual exhibitors to provide a suite of total brand activation services in various exhibitions such as:

1. The 14th Hong Kong Mega Showcase; China Sourcing Fair in Hong Kong; Hong Kong Brands and Products Expo 2016
2. The 15th China International Machine Tool Show in Beijing
3. The 33rd Thailand International Motor Expo in Bangkok; The 38th Bangkok International Motor Show; The 87th Geneva International Motor Show; Auto Shanghai; Qatar Motor Show; Singapore Motorshow
4. Art Central in Hong Kong
5. Asia's Fashion Jewellery and Accessories Fair in Hong Kong; China International Gold, Jewellery and Gem Fair in Shanghai; Cosmoprof Asia in Hong Kong; Doha Jewellery and Watches Exhibition 2016; Hong Kong International Fur and Fashion Fair; Hong Kong International Jewellery Show
6. Automechanika Shanghai 2016
7. Bahrain National Day events
8. Clean and Green Singapore 2016
9. Consumer Electronics Show in Las Vegas
10. Gardens by the Bay Children's Festival in Singapore
11. InfoComm China in Beijing
12. ITU Telecom World 2016 in Bangkok
13. Mobile World Congress in Barcelona
14. ProPak Vietnam in Ho Chi Minh City
15. SG Defence Exhibition 2016 in Singapore

Last year, we launched Pico+ to fully service many clients which were seeking data-driven integrated marketing solutions as they sought to maximise their return on investment and adjust to changes in the digital marketing landscape. This year we continue to provide Pico+ solutions to a growing number of leading brands, including Guangzhou Automobile Group, Porsche and Star Alliance. We also continue to provide retainer services to Continental, a major German tyre-maker and Yonex, an international sports equipment brand.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services segment (Cont'd)

During the period under review, Pico provided total brand activation services to a variety of carmakers for product launch events and multi-city road shows both in Asia and around the world. The many marques we served included AIMA, Alfa Romeo, Audi, BMW, BMW Brilliance, Changan Auto, Chevrolet, Dongfeng Motor, Dongfeng Peugeot, Ferrari, Fiat Chrysler, Ford, Harley-Davidson, Infiniti, Jaguar Land Rover, Jiangling Auto, Leopaard, Lexus, Maserati, Mercedes-Benz, MG, MINI, Nissan, Porsche, SAIC Motor, SAIC General Motors (SGM), Soueast, Subaru, Venucia, Volkswagen and Volvo.

In terms of events, Pico created success for a number of clients in the first half of this year. In Singapore, we continued to provide turnkey services for the fifth edition of the i Light Marina Bay Sustainable Light Art Festival, including event organisation and management, sponsorship activation and event promotion, along with the full management and delivery of three new festival hubs: the Art-Zoo Inflatable Park, GastroBeats and The Fantastical World of eco.me. We also provided turnkey event management services for the HSBC Singapore Rugby Sevens and HSBC Women's Champions golf tournament.

The Group's proficiency in providing unique services for major sporting events was evident at the 2016 WGC-HSBC Champions golf tournament in Shanghai; and the BMW Golf Cup International 2016 and the Cathay Pacific/HSBC Hong Kong Sevens held in Hong Kong.

Following the success of the inaugural Singapore edition of the Ultra Music Festival last year, Pico was again appointed to deliver this signature music festival and build on the global Ultra brand over two days in June this year.

The Group's exhibition hall management portfolio saw stable growth during the period under review. The Chenzhou International Convention and Exhibition Centre (CZCEC) saw solid performance, driven by several high-profile exhibitions and events. In May 2017, the CZCEC again hosted the China (Hunan) Mineral & Gem Expo, the largest event of its kind in Asia. The fifth edition of this show featured 2,600 booths, including more than 500 from overseas enterprises from 52 countries and regions. It also attracted 336,000 visitors, an increase of 5% over the previous year; with on-site trading amounting to RMB1.93 billion, an increase of 10% over the previous year.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services segment (Cont'd)

Another noteworthy event for the CZCEC was the Hunan (Chenzhou) Agricultural Products Expo, organised by the Agricultural Committee of Hunan Province and the People's Government of Chenzhou City, featuring 1,200 booths and covering 48,000 square metres of exhibition space. The expo attracted exhibitors from 27 countries and regions along with 67 overseas buying delegations.

This year marked the tenth year of the Xi'an Greenland Pico International Convention and Exhibition Centre (GPCEC). The GPCEC was recently recognised as a Xi'an Prestigious Brand Service Industry Product by the Xi'an Municipal People's Government. This recognition serves as testament to the Centre's excellence in safety and quality service.

The Group continues to seek new facility management opportunities in the wider Asian region. In Myanmar, we are finalising an arrangement to invest in, design, build and manage the Yangon Exhibition Centre, a brand-new facility with 10,000 square metres of exhibition space.

P3 Innovation, the Group's disruptive strategic business unit, began producing tangible results in the first half of this year through P3 Space, a trailblazing start-up incubator focusing on nurturing innovation in the meetings, incentives, conventions and exhibitions (MICE) industry. Located within the Pico Creative Centre in Shanghai, P3 Space has fostered the development of 12 start-ups since its launch in late 2016.

During the period under review, P3 Innovation also introduced an online-to-offline (O2O) platform www.e3-expo.com that matches exhibitors, designers and fabrication contractors to exhibition stand design and production processes within a unified digital space.

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, BMW, Buick, Cadillac, Chevrolet, Citroën, Dongfeng Nissan, Dongfeng Peugeot, Dongfeng Venucia, Ford, GAC Honda, GAC Toyota, GAC Trumpchi, JAC Motors, Jaguar Land Rover, Jiangling Motors (JMC), Lexus, Lincoln, Mercedes-Benz, SAIC General Motors (SGM), Volkswagen and Zotye Auto.

We also provided technical knowledge and branding solutions to a number of international carmakers, including Bentley, Cadillac, Infiniti, Jaguar, Mercedes-Benz, Peugeot, Renault, Rolls-Royce and Rousseau-Renault. We produced and exported signage to many parts of the world for these brands.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Brand Signage and Visual Identity segment (Cont'd)

Overall, this segment's performance declined during the first half of the year due to a contraction in the overall signage spending by automobile dealers shops in China. To make up for this shortfall, we are continuously diversifying our clientele to those outside the automobile sector such as: A. Lange & Söhne, a leading German watchmaker; the Lulu Grand Hyatt hotel in India; retailers such as Mary Kay which is a skincare brand; Suning which is a supplier of home appliances; restaurant chains like Saizeriya; Agricultural Bank of China, Citibank China and Sinopec. We also started to provide high-end wayfinding solutions for infrastructure projects like Shenzhen Metro.

Aside from signage, we began offering a new suite of services during the period under review by providing pop-up store activations for various brands. In particular, we supplied pop-up strategies for several Mercedes-Benz dealers in China as well as delivering pilot pop-up modular showrooms for Mercedes-Benz in high-traffic shopping malls in Beijing, Shanghai and other cities.

Barring unforeseen circumstances, we anticipate that our brand signage and visual identity business will stabilise in the second half of the year and resume its growth next year through our continuous diversification out of the automobile dealers signage fabrication programmes so as to reduce our dependence on this sector.

Museum, Themed Environment, Interior and Retail segment

During the period under review, the Group completed a number of significant museum and interior fit-out projects in Asia. Projects of particular note included:

1. Beijing Pinggu District Youth Science and Technology Education Centre
2. Huawei showrooms in Beijing, Shanghai and Shenzhen
3. Jingmen Exhibition Centre of AVIC Culture in Hubei, China
4. Memories at Old Ford Factory in Singapore
5. Samsung Galaxy Studio in Singapore
6. Tian Shui Smart City Operation Centre in Gansu, China
7. Wanda Movie Park in Guangzhou

Over the past few years, we have been working with Wanda to create four movie parks across China. Following the opening of Wanda Cultural Tourism City in May 2016, for which we delivered design and construction services in Nanchang, we successfully fulfilled our design services contract for the Wanda Movie Park in Guangzhou during the first half of this year. Our involvement in the remaining two parks, in Qingdao and Wuxi, will continue into the next financial year.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

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

Other significant projects currently underway include the enhancement of the Infinitus University showroom in Yingkou China; the design, fabrication and operation of the Li Shizhen Memorial Museum in Hubei China; and the design and fabrication of the exhibition centre at the Six Flags Theme Park in Haiyan China.

In Singapore, design and fabrication work on revamping the Sustainable Singapore Gallery, commissioned by the Public Utilities Board, also commenced in the period under review and is expected to be completed in the next financial year. In Thailand, construction of the Rama IX Museum – commissioned by the National Science Museum of Thailand – is being conducted by our key associated company, Pico (Thailand) Public Company Limited, and is proceeding toward its target completion date in 2018.

Conference and Show Management segment

Segment revenue decreased by 86.9% compared with the previous corresponding period due to the quadrennial ITMA (International Textile Machinery Association) trade show being held in Milan in November 2015, which had contributed significantly to the top line of the previous corresponding period.

Nevertheless, this segment remained profitable from shows which we organised ourselves as well as those which we co-organised with our associated companies where their revenues are not consolidated into the top line.

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

1. The 16th International Conference on Biomedical Engineering in Singapore
2. 50plus Expo in Singapore
3. Incentive Travel & Conventions, Meetings China in Shanghai
4. International Furniture Fair Singapore
5. Madrid Fusión Manila in Manila
6. Myanmar Security Expo 2016
7. Pet Expo in Singapore
8. Philconstruct 2016 in Manila

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Review of Operations (Cont'd)

Conference and Show Management segment (Cont'd)

Moving into the second half of the financial year, the Group will deliver several high-profile shows, both recurring and new. In Singapore, we will implement the ASEAN Transport Sectoral Meeting, Food Japan, IEEE International Conference on Robotics and Automation, INTERPOL World and the Singapore Summit.

Elsewhere in Asia, we will present the EU Business Avenues in South East Asia in Malaysia, Singapore and Thailand; as well as the following shows in Manila: the China Machinery Fair, Educatech World Expo and Pack Print Plus Philippines. In Cebu, we will deliver Manufacturing Technology World and Philconstruct.

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 2.0% to about HK\$1,736 million (at October 31, 2016: HK\$1,771 million).

Bank and cash balances amounted to HK\$1,102 million (at October 31, 2016: HK\$1,036 million), including HK\$11 million pledged bank deposits (at October 31, 2016: HK\$6 million). Deducting interest bearing external bank borrowings from cash and bank balances, the net cash balance was HK\$993 million (at October 31, 2016: HK\$956 million).

Total bank borrowings were HK\$109 million at April 30, 2017 (at October 31, 2016: HK\$80 million). They are mainly denominated in Hong Kong dollars, Korean Won and Renminbi, and the interest is charged on a fixed and floating rate basis.

	April 30, 2017 Unaudited HK\$' million	October 31, 2016 Audited HK\$' million
Bank and cash balances	1,091	1,030
Pledged bank deposits	11	6
Less: Bank Borrowings	(109)	(80)
Net cash balance	993	956

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Liquidity and Financial Information (Cont'd)

For the six months ended April 30, 2017, the Group invested HK\$22 million (year ended October 31, 2016: HK\$95 million) in purchase of property, plant and equipment and other tangible assets. All these were financed from internal resources.

At April 30, 2017, the Group has HK\$76 million (at October 31, 2016: HK\$80 million) long term bank borrowings. The current ratio was 1.52 times (at October 31, 2016: 1.56 times); the liquidity ratio was 1.44 times (at October 31, 2016: 1.45 times) and the gearing ratio was 2.15% (at October 31, 2016: 2.25%).

	April 30, 2017	October 31, 2016
Current ratio (current assets/current liabilities)	1.52 times	1.56 times
Liquidity ratio (current assets – excluding inventories and contract work in progress/current liabilities)	1.44 times	1.45 times
Gearing ratio (long term bank borrowings/total assets)	2.15%	2.25%

Although our subsidiaries are located in many different countries of the world, over 78% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars and US dollars, and the remaining 22% 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, 2017, 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\$326 million (six months ended April 30, 2016: HK\$353 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

We are continuing to build on our Pico+ solutions for a growing number of leading brands, and are confident that this new area would continue to expand and bring benefits to the Group and its shareholders.

Other large-scale shows and events scheduled for the second half of this year include the Formula One Singapore Grand Prix, which will be held in September and other major events such as Ultra Music Festival, Singapore Home Team Festival and Singapore Army Open House. Pico's long-standing involvement in the Singapore National Day Parade project, which will be held on 9 August, will continue this year.

The Astana Expo 2017 is now being held from 10 June to 10 September in Kazakhstan's capital city. Aside from providing interior fabrication services for Belarus, France, Israel, Pakistan, Singapore, Sri Lanka and the Shanghai Cooperation Organisation pavilions, we are also engaged to deliver operations management, business networking and events management services for the Singapore Pavilion, and operations management for the Israel and Belarus pavilions.

While all our Shanghai Disneyland projects have now concluded, we continue to work on potential new opportunities in the theme park segment. Among these is the expansion of Hong Kong Disneyland, and we are now participating in the first tender for this project. Other near-future tenders are Universal Studios in Beijing which is scheduled to open in 2020.

P3 Space, based in Pico Shanghai office, is expected to spearhead our disruptive strategies with the fostering of innovative start-ups for our business.

Notwithstanding fewer special projects this year when compared with the last financial year, our exhibition and event core business remains resilient and stable. We anticipate that the overall business in the second half of this year would be stronger than the first half.

DIRECTORS' INTERESTS IN SHARES

At April 30, 2017, 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)	9,158,000	-	9,158,000	0.75%
Ms. Jean Chia Yuan Jiun		-	-	-	-
Mr. Mok Pui Keung	(Note 2)	662,000	-	662,000	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 5,658,000 shares and interest in 3,500,000 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. Mok Pui Keung represents the interest in 542,000 shares and interest in 120,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".

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

At the Annual General Meeting of the Company held on March 22, 2012, the shareholders of the Company approved the adoption of a share option scheme (the "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 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 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 Scheme are as follows:

		Outstanding at November 1, 2016	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2017
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat						
	(Notes 2, 7)	1,988,000	-	(1,988,000)	-	-
	(Note 5)	1,600,000	-	-	-	1,600,000
	(Note 6)	1,900,000	-	-	-	1,900,000
Mr. James Chia Song Heng (retired on March 24, 2017)						
	(Notes 2, 7)	994,000	-	(994,000)	-	-
Mr. Mok Pui Keung						
	(Notes 3, 7)	36,000	-	(36,000)	-	-
	(Note 4)	28,000	-	-	-	28,000
	(Note 5)	42,000	-	-	-	42,000
	(Note 6)	50,000	-	-	-	50,000
Total Directors		6,638,000	-	(3,018,000)	-	3,620,000
<i>Category 2: Employees</i>						
	(Notes 1, 7)	656,000	-	(78,000)	(6,000)	572,000
	(Notes 2, 7)	994,000	-	(994,000)	-	-
	(Notes 3, 7)	414,000	-	(84,000)	(10,000)	320,000
	(Notes 4, 7)	584,000	-	(8,000)	(2,000)	574,000
	(Notes 5, 7)	2,030,000	-	(162,000)	(2,000)	1,866,000
	(Notes 6, 7)	2,466,000	-	(18,000)	-	2,448,000
Total employees		7,144,000	-	(1,344,000)	(20,000)	5,780,000
Total all categories		13,782,000	-	(4,362,000)	(20,000)	9,400,000

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

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) The exercise price is HK\$2.040. The option period during which the options may be exercised is the period from May 25, 2016 to May 24, 2021. The date of grant was May 24, 2016.
- (7) The weighted average closing price of share immediately before the date on which the options were exercised by employee is HK\$2.862.

SHARE OPTIONS (Cont'd)

(ii) Valuation of share options

- (1) The following significant assumptions were used to derive the fair value using the Binominal Options pricing model of the Scheme:

Date of grant	Exercise price HK\$	Based on	Expected volatility %	Weighted average share price HK\$	Risk-free rate %	Annual dividend yield %
		life of share options Year(s)				
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
May 24, 2016	2.040	5.00	30.00	2.040	1.010	5.27

- (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\$347,000 for the six months ended April 30, 2017 (six months ended April 30, 2016: HK\$335,000) 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, 2017, 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	37.60%
FMR LLC	122,489,610	9.96%

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, 2017.

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

During the period ended April 30, 2017, 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, 2017, 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, 2017.

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 financial statements.

By Order of the Board
Leung Hoi Yan
Company Secretary

Hong Kong, June 27, 2017