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## 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, 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2019

		<b>For the six months ended April 30,</b>	
		<b>2019</b>	2018
	<i>Note</i>	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000 (restated)
Revenue	2	<b>2,474,057</b>	2,291,184
Cost of sales		<b>(1,734,953)</b>	(1,618,505)
Gross profit		<b>739,104</b>	672,679
Other income		<b>32,914</b>	43,670
Distribution costs		<b>(308,021)</b>	(275,961)
Administrative expenses		<b>(271,108)</b>	(255,954)
Reversal of impairment losses (Impairment losses) for trade and other receivables		<b>655</b>	(1,982)
Other operating expenses		<b>(1,579)</b>	(50)
Profit from core operations		<b>191,965</b>	182,402
Change in remeasurement of contingent consideration		<b>(26,548)</b>	(15,670)
Amortisation of other intangible assets arising from business combinations		<b>(11,840)</b>	(7,112)
Profit from operations		<b>153,577</b>	159,620
Finance costs	3	<b>(3,391)</b>	(2,042)
Share of profits of associates		<b>150,186</b>	157,578
Share of losses of joint ventures		<b>2,370</b>	11,382
		<b>(10)</b>	(34)
Profit before tax		<b>152,546</b>	168,926
Income tax expense	4	<b>(33,057)</b>	(37,432)
Profit for the period	5	<b>119,489</b>	131,494

## CONDENSED CONSOLIDATED INCOME STATEMENT (CONT'D)

For the six months ended April 30, 2019

		For the six months ended April 30,	
		2019	2018
	Note	Unaudited HK\$'000	Unaudited HK\$'000 (restated)
Attributable to:			
Owners of the Company		<b>123,042</b>	127,897
Non-controlling interests		<b>(3,553)</b>	3,597
		<b>119,489</b>	131,494
<b>EARNINGS PER SHARE</b>			
Basic	7	<b>9.95 cents</b>	10.38 cents
Diluted		<b>9.95 cents</b>	10.37 cents

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2019

	For the six months ended April 30,	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Profit for the period	<b>119,489</b>	131,494
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	<b>40,193</b>	70,379
Share of other comprehensive income of associates	<b>3,832</b>	5,614
Reserve reclassified to profit or loss on dissolution of subsidiaries	<b>1</b>	(825)
Items that will not be reclassified to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income	<b>(19)</b>	–
Other comprehensive income for the period, net of tax	<b>44,007</b>	75,168
Total comprehensive income for the period	<b>163,496</b>	206,662
Attributable to:		
Owners of the Company	<b>165,935</b>	201,912
Non-controlling interests	<b>(2,439)</b>	4,750
	<b>163,496</b>	206,662

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2019

		<b>April 30, 2019</b>	October 31, 2018
		<b>Unaudited</b>	Audited
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Non-current Assets</b>			
Investment properties		<b>151,181</b>	146,749
Property, plant and equipment	8	<b>719,410</b>	711,473
Prepaid land lease payments		<b>85,795</b>	85,055
Intangible assets	8	<b>489,842</b>	288,103
Interests in joint ventures		<b>590</b>	562
Interests in associates		<b>156,428</b>	158,958
Club membership	9	–	3,903
Available-for-sale financial assets	9	–	1,324
Financial assets at fair value through other comprehensive income	9	<b>6,601</b>	–
Deferred tax assets		<b>1,711</b>	1,686
Loan due from an associate		<b>8,894</b>	9,206
		<b>1,620,452</b>	1,407,019
<b>Current Assets</b>			
Inventories		<b>56,784</b>	64,138
Contract work in progress		–	51,941
Contract assets		<b>497,724</b>	–
Debtors, deposits and prepayments	10	<b>1,189,530</b>	1,688,254
Amounts due from associates		<b>13,272</b>	22,062
Current tax assets		<b>3,790</b>	1,806
Pledged bank deposits		<b>18,409</b>	12,711
Bank and cash balances		<b>1,147,972</b>	871,048
		<b>2,927,481</b>	2,711,960

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

At April 30, 2019

		<b>April 30, 2019</b>	October 31, 2018
	<i>Note</i>	<b>Unaudited</b>	Audited
		<b>HK\$'000</b>	HK\$'000
<b>Current Liabilities</b>			
Payments received on account		–	193,094
Contract work in progress		–	26,620
Contract liabilities		<b>157,941</b>	–
Creditors and accrued charges	11	<b>1,550,934</b>	1,480,674
Amounts due to associates		<b>5,296</b>	6,862
Amounts due to joint ventures		<b>6,215</b>	5,942
Current tax liabilities		<b>51,246</b>	42,993
Borrowings		<b>188,882</b>	92,906
Contingent consideration	12	<b>32,953</b>	63,827
		<b>1,993,467</b>	1,912,918
<b>Net Current Assets</b>		<b>934,014</b>	799,042
<b>Total Assets Less Current Liabilities</b>		<b>2,554,466</b>	2,206,061
<b>Non-current Liabilities</b>			
Borrowings		<b>298,904</b>	15,882
Contingent consideration	12	<b>102,778</b>	146,759
Deferred tax liabilities		<b>53,771</b>	45,839
		<b>455,453</b>	208,480
<b>NET ASSETS</b>		<b>2,099,013</b>	1,997,581
<b>Capital and Reserves</b>			
Share capital	13	<b>61,886</b>	61,760
Reserves		<b>1,899,759</b>	1,850,681
<b>Equity attributable to owners of the Company</b>		<b>1,961,645</b>	1,912,441
<b>Non-controlling interests</b>		<b>137,368</b>	85,140
<b>TOTAL EQUITY</b>		<b>2,099,013</b>	1,997,581

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2019

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption HK\$'000	Capital reserve HK\$'000	Equity-settled share-based payment reserve HK\$'000	Goodwill reserve HK\$'000	Legal reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At November 1, 2018 (Audited)	61,760	768,871	854	(11,745)	3,434	(419,083)	27,696	3,740	-	(20,500)	1,487,414	1,912,441	85,140	1,997,581
Adjustments on initial application of HKFRS 9 (Note 1)	-	-	-	-	-	-	-	-	(244)	-	(11,001)	(11,245)	(123)	(11,368)
At November 1, 2018 (Restated)	61,760	768,871	854	(11,745)	3,434	(419,083)	27,696	3,740	(244)	(20,500)	1,486,413	1,901,196	85,017	1,986,213
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(19)	42,912	123,042	165,935	(2,439)	163,496
Shares issued at premium	126	5,939	-	-	-	-	-	-	-	-	-	6,065	-	6,065
Exercise of equity-settled share-based payments	-	1,043	-	-	(1,043)	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	53	-	-	-	-	-	-	53	-	53
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	50,982	50,982
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,598	3,598
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(210)	(210)	210	-
Transfer	-	-	-	-	-	-	267	-	-	-	(267)	-	-	-
2018 final dividend	-	-	-	-	-	-	-	-	-	-	(111,394)	(111,394)	-	(111,394)
<b>At April 30, 2019 (Unaudited)</b>	<b>61,886</b>	<b>775,853</b>	<b>854</b>	<b>(11,745)</b>	<b>2,444</b>	<b>(419,083)</b>	<b>27,963</b>	<b>3,740</b>	<b>(263)</b>	<b>22,412</b>	<b>1,487,584</b>	<b>1,961,645</b>	<b>137,368</b>	<b>2,099,013</b>
Representing:														
2019 interim dividend proposed														55,708
Others														1,441,876
														<u>1,497,584</u>

Retained earnings at April 30, 2019 (Unaudited)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the six months ended April 30, 2018

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Equity-settled share-based payment reserve HK\$'000	Goodwill reserve HK\$'000	Legal reserve HK\$'000	Assets revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At November 1, 2017 (Audited)	61,511	756,600	854	(11,749)	4,623	(419,083)	25,150	3,740	35,169	1,459,373	1,916,188	83,674	1,999,862
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	127,897	201,912	4,750	206,662
Shares issued at premium	238	9,142	-	-	-	-	-	-	74,015	-	9,980	-	9,980
Exercise of equity-settled share-based payments	-	1,755	-	-	(1,755)	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	421	-	-	-	-	-	421	-	421
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	7,849	7,849
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,227	2,227
Transfer	-	-	-	-	-	-	(280)	-	-	280	-	-	-
Dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	(172,896)	(172,896)	(2,358)	(2,358)
2017 final and special dividends	-	-	-	-	-	-	-	-	-	-	-	-	(172,896)
At April 30, 2018 (Unaudited)	61,749	768,097	854	(11,749)	3,289	(419,083)	24,870	3,740	109,184	1,414,654	1,955,605	96,142	2,051,747

Representing:

2018 interim dividend proposed

Others

55,862

1,359,072

Retained earnings at April 30, 2018 (Unaudited)

1,414,654



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended April 30, 2019

	For the six months ended April 30,	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash generated from operating activities	<b>166,255</b>	59,988
Net cash used in investing activities	<b>(176,809)</b>	(77,626)
Net cash generated from (used in) financing activities	<b>272,857</b>	(181,708)
Net increase (decrease) in cash and cash equivalents	<b>262,303</b>	(199,346)
Cash and cash equivalents at beginning of the period	<b>863,937</b>	1,093,898
Effect of foreign exchange rate changes	<b>14,574</b>	31,852
Cash and cash equivalents at end of the period	<b>1,140,814</b>	926,404

## ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	For the six months ended April 30,	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bank and cash balances	<b>1,140,814</b>	926,404

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2019

## 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 historical cost convention, as modified by the revaluation of investment properties and certain financial instruments 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, 2018.

### **New and revised HKFRSs effective and adopted by the Group**

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, 2018. 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 except as stated below.

#### **HKFRS 9 Financial Instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at November 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at November 1, 2018. The difference between carrying amounts as at October 31, 2018 and the carrying amounts as at November 1, 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### **New and revised HKFRSs effective and adopted by the Group (Cont'd)**

#### **HKFRS 9 Financial Instruments (Cont'd)**

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

##### **(i) Classification**

From November 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

##### **(ii) Measurement**

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### **New and revised HKFRSs effective and adopted by the Group (Cont'd)**

#### **HKFRS 9 Financial Instruments (Cont'd)**

##### **(ii) Measurement (Cont'd)**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment losses are presented as separate line item in profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains (losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains (losses) in profit or loss as applicable. Impairment losses (reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**New and revised HKFRSs effective and adopted by the Group (Cont'd)**

**HKFRS 9 Financial Instruments (Cont'd)**

**(iii) Impairment**

From November 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debtors, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening retained earnings as at November 1, 2018 is as follows:

	<i>Note</i>	HK\$'000
Reclassification of club membership from held-to-maturity financial assets to financial assets at FVTOCI	<i>(a)</i>	199
Reclassification of non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	<i>(b)</i>	45
Increase in impairment losses for:		
– debtors, deposits and prepayments	<i>(c)</i>	11,124
– loan due from an associate	<i>(c)</i>	–
– amounts due from associates	<i>(c)</i>	–
Related tax		–
Adjustment to retained earnings from adoption of HKFRS 9 as at November 1, 2018		11,368
Attributable to:		
Owners of the Company		11,245
Non-controlling interests		123
		11,368

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**New and revised HKFRSs effective and adopted by the Group (Cont'd)**

**HKFRS 9 Financial Instruments (Cont'd)**

The following tables and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at November 1, 2018.

Financial assets	<i>Note</i>	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
Club membership	(a)	Held-to-maturity	FVTOCI	3,903	3,704
Equity investments	(b)	Available-for-sale	FVTOCI	1,324	1,279
Debtors, deposits and prepayments	(c)	Loans and receivables	Amortised cost	1,688,254	1,677,130
Loan due from an associate	(c)	Loans and receivables	Amortised cost	9,206	9,206
Amounts due from associates	(c)	Loans and receivables	Amortised cost	22,062	22,062

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**New and revised HKFRSs effective and adopted by the Group (Cont'd)**

**HKFRS 9 Financial Instruments (Cont'd)**

The impact of these changes on the Group's equity is as follows:

	<i>Note</i>	Effect on available- for-sale financial assets reserve HK\$'000	Effect on financial assets at FVTOCI reserve HK\$'000	Effect on retained earnings HK\$'000
Opening balance as at November 1, 2018 – HKAS 39		–	–	1,497,414
Reclassify club membership from held-to-maturity financial assets to financial assets at FVTOCI	<i>(a)</i>	–	(199)	–
Reclassify non-trading equity investments from available-for- sale financial assets to financial assets at FVTOCI	<i>(b)</i>	–	(45)	–
<b>Total impact</b>		–	(244)	–
Opening balance as at November 1, 2018 – HKFRS 9		–	(244)	1,497,414

The effect on retained earnings is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at November 1, 2018 have not been impacted by the initial application.

The Group did not designate or derecognise any financial assets or financial liabilities at FVTPL as at November 1, 2018.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### New and revised HKFRSs effective and adopted by the Group (Cont'd)

#### HKFRS 9 Financial Instruments (Cont'd)

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements as at November 1, 2018 results in an additional impairment allowance as follows:

	<i>Note</i>	HK\$'000
Impairment allowance as at October 31, 2018 under HKAS 39		83,281
Additional impairment recognised as at November 1, 2018 on:		
– debtors, deposits and prepayments	<i>(c)</i>	11,124
– loan due from an associate	<i>(c)</i>	–
– amounts due from associates	<i>(c)</i>	–
– financial assets at FVTOCI	<i>(a), (b)</i>	244
Impairment allowance as at November 1, 2018 under HKFRS 9		94,649

Reversal of impairment losses/impairment losses related to debtors, deposits and prepayments are presented separately in profit or loss. As a result, the Group reclassified allowance written back on/allowance for bad and doubtful debts amounting to HK\$1,982,000, recognised under HKAS 39, from “other income” and “administrative expenses” to “impairment losses for trade and other receivables” in profit or loss for the six months ended April 30, 2018.

#### Notes:

- (a) Club memberships that were previously classified as held-to-maturity financial assets are now classified as financial assets at FVTOCI. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. A decrease in fair value of HK\$199,000 was recognised in financial assets at FVTOCI reserve as at November 1, 2018 on transition to HKFRS 9.
- (b) These equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. The Group elected to present in other comprehensive income changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK\$1,279,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and a decrease in fair value of HK\$45,000 was recognised in the financial assets at FVTOCI reserve as at November 1, 2018 on transition to HKFRS 9. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- (c) Debtors, deposits and prepayments, loan due from an associate and amounts due from associates that were classified as loans and receivables under HKAS 39 are now classified as financial assets at amortised cost. An increase of HK\$11,124,000 in the allowance for impairment over these receivables was recognised in opening retained earnings as at November 1, 2018 on transition to HKFRS 9.



## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### **New and revised HKFRSs effective and adopted by the Group (Cont'd)**

#### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, November 1, 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at November 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from construction contracts.

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on properties, museum and themed environment under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### **New and revised HKFRSs effective and adopted by the Group (Cont'd)**

#### **HKFRS 15 Revenue from Contracts with Customers (Cont'd)**

The Group becomes entitled to invoice customers for construction of properties, museum and themed environment based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade debtors at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. It is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

**New and revised HKFRSs effective and adopted by the Group (Cont'd)**

**HKFRS 15 Revenue from Contracts with Customers (Cont'd)**

Policy prior to November 1, 2018

Revenue from long-term contracts was recognised on a similar basis in the comparative period under HKAS 11.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's condensed consolidated financial statements for the six months ended April 30, 2019, by comparing the amounts reported under HKFRS 15 in the condensed consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to the six months ended April 30, 2019 instead of HKFRS 15. This table shows only those line items impacted by the adoption of HKFRS 15:

		<b>Amounts reported in accordance with HKFRS 15 HK\$'000</b>	<b>Hypothetical amounts under HKASs 11 and 18 HK\$'000</b>	<b>Estimated impact of adoption of HKFRS 15 HK\$'000</b>
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**At April 30, 2019**

Condensed consolidated statement of  
financial position (extract)

**Current Assets**

Debtors, deposits and prepayments	<i>(Note)</i>	1,189,530	1,654,662	(465,132)
Contract work in progress	<i>(Note)</i>	–	32,592	(32,592)
Contract assets	<i>(Note)</i>	497,724	–	497,724

**Current Liabilities**

Payments received on account	<i>(Note)</i>	–	145,486	(145,486)
Contract work in progress	<i>(Note)</i>	–	12,455	(12,455)
Contract liabilities	<i>(Note)</i>	157,941	–	157,941

The significant differences arise as a result of the changes in accounting policies described above.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### **New and revised HKFRSs effective and adopted by the Group (Cont'd)**

#### **HKFRS 15 Revenue from Contracts with Customers (Cont'd)**

Policy prior to November 1, 2018 (Cont'd)

*Note:*

Reclassifications were made as at November 1, 2018 to be consistent with the terminology under HKFRS 15:

Previously, contract balances relating to construction and short-term contracts were presented in the consolidated financial statements under "Trade debtors" (included in debtors, deposits and prepayments), or "Gross amounts due from customers for contract work" or "Gross amounts due to customers for contract work" (included in contract work in progress), or "Payments received on account". To reflect these changes in presentation, the Group has made the following reclassification adjustments as at November 1, 2018, as a result of the adoption of HKFRS 15:

Contract assets recognised in relation to construction and short-term contracts were previously presented as "Gross amounts due from customers for contract work" and certain amounts of "Trade debtors" respectively.

Contract liabilities for progress billing recognised in relation to construction and short-term contracts were previously presented as "Gross amounts due to customers for contract work" and "Payments received on account" respectively.

### **New and revised HKFRSs issued but not yet effective**

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;
- Visual branding experiences;
- 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	Visual branding experiences	Museum, themed environment, interior and retail	Conference and show management	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(restated)				(restated)

#### For the six months ended April 30, 2019

Revenue from external customers	2,057,309	146,613	205,438	64,697	2,474,057
Inter-segment revenue	152,215	646	59,673	–	212,534
Segment profits	171,968	17,113	11,575	12,671	213,327
Share of profits (losses) of associates	5,508	–	–	(3,138)	2,370
Share of losses of joint ventures	(10)	–	–	–	(10)
Interest income	2,236	231	228	52	2,747
Interest expenses	2,430	425	–	536	3,391

#### For the six months ended April 30, 2018

Revenue from external customers	1,959,544	143,426	169,778	18,436	2,291,184
Inter-segment revenue	154,934	560	39,159	–	194,653
Segment profits	170,411	14,013	23,038	3,871	211,333
Share of profits of associates	5,143	–	–	6,239	11,382
Share of losses of joint ventures	(34)	–	–	–	(34)
Interest income	2,449	571	227	67	3,314
Interest expenses	2,042	–	–	–	2,042

## 2. REVENUE AND SEGMENT INFORMATION (CONT'D)

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

	For the six months ended April 30,	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000 (restated)
<b>Revenue</b>		
Total revenue of reportable segments	2,686,591	2,485,837
Elimination of inter-segment revenue	(212,534)	(194,653)
<b>Consolidated revenue</b>	<b>2,474,057</b>	<b>2,291,184</b>
<b>Profit or loss</b>		
Total profits of reportable segments	213,327	211,333
Unallocated amounts:		
Change in remeasurement of contingent consideration	(26,548)	(15,670)
Amortisation of other intangible assets arising from business combinations	(11,840)	(7,112)
Corporate expenses	(22,393)	(19,625)
<b>Consolidated profit before tax</b>	<b>152,546</b>	<b>168,926</b>

## 3. FINANCE COSTS

	For the six months ended April 30,	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Total borrowing costs:		
Interest on bank borrowings	3,391	2,042

#### 4. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
The charge comprises:		
Current tax		
Profits tax for the period		
Hong Kong	2,908	2,142
Overseas	30,770	36,172
Over provision in prior periods		
Hong Kong	(31)	(513)
Overseas	(1,160)	(811)
	32,487	36,990
Deferred tax	570	442
	33,057	37,432

Hong Kong profits tax is calculated at 16.5% (2018: 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,	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
		(restated)

Profit for the period has been arrived at after charging:

Depreciation	26,467	27,590
Amortisation of show rights (included in administrative expenses)	387	398
Amortisation of other intangible assets arising from business combinations	11,840	7,112
Cost of inventories sold	105,122	88,162
Allowance for bad and doubtful debts	8,789	2,803
Loss on disposal of property, plant and equipment	1,579	50
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	1,222	1,299
Increase in remeasurement of contingent consideration	26,548	15,670

and crediting:

Interest income	2,747	3,314
Income from sale of a show right partially	7,760	–
Gain on disposal of property, plant and equipment	257	13,940
Gain on dissolution of subsidiaries	78	1,524

## 6. DIVIDENDS PAID

	For the six months ended April 30,	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
2018 final dividend paid HK9.0 cents per share (2018: 2017 final dividend paid HK9.0 cents per share and special dividend paid HK5.0 cents per share)	111,394	172,896



## 6. DIVIDENDS PAID (CONT'D)

### Notes:

- (a) The 2018 final dividend of the year ended October 31, 2018 of HK\$111,394,000 (2018: 2017 final and special dividends of HK\$172,896,000) was approved after October 31, 2018 and 2017 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 (2018: HK4.5 cents) be payable on Friday, July 26, 2019 to the shareholders on the register of members of the Company on Friday, July 19, 2019.

## 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,	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	<b>123,042</b>	127,897
	For the six months ended April 30,	
	2019	2018
	Unaudited	Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,236,276,767</b>	1,232,252,413
Effect of dilutive potential ordinary shares in respect of options	<b>254,533</b>	892,228
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,236,531,300</b>	1,233,144,641

## 8. CAPITAL EXPENDITURES

	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
Carrying amount as at November 1, 2018 (Audited)	711,473	288,103
Additions ( <i>Note a</i> )	20,270	3,871
Disposals	(1,667)	–
Depreciation charges/Amortisation	(26,467)	(12,227)
Acquisition of subsidiaries ( <i>Note b</i> )	161	209,952
Reclassification from prepaid land lease payments	851	–
Exchange alignment	14,789	143
<b>Carrying amount as at April 30, 2019 (Unaudited)</b>	<b>719,410</b>	<b>489,842</b>

### Notes:

- (a) Additions of intangible assets mainly represented development costs which mainly included staff costs, capitalised during development phase of internal projects for development of system and platform.
- (b) On January 7, 2019 and March 4, 2019, the Group entered into agreements to acquire the equity interests in Futr World Limited (51%) and Local Projects, LLC (100%) respectively (the "Acquisitions"). The initial accountings for the Acquisitions have only been provisionally determined at the end of the reporting period. The fair value of intangible assets is pending for completion of the valuation. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provision that existed at the acquisition date, then the acquisition accounting will be revised.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/CLUB MEMBERSHIP/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Financial assets at FVTOCI April 30, 2019 Unaudited HK\$'000</b>	Club membership/ Available-for-sale financial assets October 31, 2018 Audited HK\$'000
Club Membership	3,729	3,903
Equity investments, at fair value, unlisted	2,872	–
Equity investments, at cost, unlisted	–	7,904
Less: Impairment loss recognised	–	(6,580)
	<b>6,601</b>	<b>5,227</b>

Unlisted equity investments are carried at fair values.

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\$798,824,000 (at October 31, 2018: HK\$1,413,121,000), an aging analysis, based on the invoice date and net of allowance, is as follows:

	<b>April 30, 2019 Unaudited HK\$'000</b>	October 31, 2018 Audited HK\$'000
Less than 91 days	543,255	937,268
91 – 180 days	121,379	224,615
181 – 365 days	94,923	199,090
More than 1 year	39,267	52,148
	<b>798,824</b>	<b>1,413,121</b>

## 11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$421,581,000 (at October 31, 2018: HK\$459,795,000), an aging analysis, based on the date of receipt of goods or services, is as follows:

	<b>April 30, 2019</b>	October 31, 2018
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
Less than 91 days	<b>285,290</b>	352,135
91 – 180 days	<b>50,955</b>	45,420
181 – 365 days	<b>38,591</b>	27,425
More than 1 year	<b>46,745</b>	34,815
	<b>421,581</b>	459,795

## 12. CONTINGENT CONSIDERATION

	<b>April 30, 2019</b>	October 31, 2018
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
At beginning of the period/year	<b>210,586</b>	121,817
Exchange alignment	<b>46</b>	700
Acquisition of a subsidiary ( <i>Note a</i> )	<b>69,200</b>	60,553
Consideration paid or realised as payable for acquisition of a subsidiary	<b>(155,749)</b>	(3,952)
Settlement in shares of consideration for acquisition of a subsidiary	<b>(14,900)</b>	(2,964)
Increase in remeasurement ( <i>Note b</i> )	<b>26,548</b>	34,432
At end of the period/year	<b>135,731</b>	210,586

## 12. CONTINGENT CONSIDERATION (CONT'D)

### *Notes:*

- (a) The contingent consideration for the acquisition of Local Projects, LLC requires the Group to pay the sellers remaining consideration not exceeding US\$13,000,000 (equivalent to HK\$101,973,000) not later than 2022/2023, depending on the level of Local Projects, LLC's audited earnings before interest, taxes, depreciation and amortisation (EBITDA) for the 2019/2020, 2020/2021 and 2021/2022 fiscal year, up to 3 years, or if the seller so elects, an additional year, and achieving certain levels of new business.

The initial accounting for the fair value of the contingent consideration, based on the expected cash inflows that are estimated based on the terms of the membership interest purchase agreement and the entity's knowledge of the business and how the current economic environment is likely to impact it, has only been provisionally determined at the end of the reporting period. The fair value of contingent consideration is pending for completion of the valuation. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provision that existed at the acquisition date, then the acquisition accounting will be revised.

- (b) The contingent consideration relating to the acquisition of subsidiaries is measured at fair value by using the income approach. Included in profit or loss for the period was HK\$26,548,000 (six months ended April 30, 2018: HK\$15,670,000) an increase in fair value of contingent consideration for the period ended April 30, 2019.

### 13. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2019 Unaudited	October 31, 2018 Audited	April 30, 2019 Unaudited HK\$'000	October 31, 2018 Audited HK\$'000
Ordinary share of HK\$0.05 each Authorised:				
At beginning and end of the period/year	<b>2,400,000,000</b>	2,400,000,000	<b>120,000</b>	120,000
Issued and fully paid:				
At beginning of the period/year	<b>1,235,196,104</b>	1,230,220,104	<b>61,760</b>	61,511
Exercise of share options ( <i>Note</i> )	<b>2,520,000</b>	4,976,000	<b>126</b>	249
At end of the period/year	<b>1,237,716,104</b>	1,235,196,104	<b>61,886</b>	61,760

*Note:* During the period, 28,000, 2,442,000 and 50,000 shares were issued at 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, 2018: 162,000, 148,000, 824,000 and 3,842,000 shares were issued at HK\$2.782, HK\$1.900, HK\$2.420 and HK\$2.040 per share respectively).

### 14. PLEDGE OF ASSETS

At April 30, 2019, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2019 Unaudited HK\$'000	October 31, 2018 Audited HK\$'000
Freehold land and buildings	<b>55,659</b>	55,571
Leasehold land and buildings	<b>124,876</b>	123,085
Pledged bank deposits	<b>18,409</b>	12,711
Guarantee deposits	<b>3,138</b>	2,747
	<b>202,082</b>	194,114

## 15. COMMITMENTS

### (a) Operating Lease Commitments

At April 30, 2019, 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, 2019		October 31, 2018	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Not later than one year	14,098	220	10,561	351
Later than one year and not later than five years	32,742	199	24,716	281
Later than five years	145,359	–	102,298	–
	<b>192,199</b>	<b>419</b>	137,575	632

### (b) Capital Commitments

	April 30, 2019 Unaudited HK\$'000	October 31, 2018 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment and other investments		
– contracted but not provided for	11,877	17,379
– authorised but not contracted for	2,252	2,213
	<b>14,129</b>	19,592

The Company did not have any other significant capital commitments as at April 30, 2019.

## 16. CONTINGENT LIABILITIES

### Financial Guarantees issued

At April 30, 2019, the Group has issued the following guarantees:

	<b>April 30, 2019</b>	October 31, 2018
	<b>Unaudited</b>	Audited
	<b>HK\$'000</b>	HK\$'000
Performance guarantees		
– secured	<b>72,141</b>	63,738
– unsecured	<b>17,107</b>	21,965
	<b>89,248</b>	85,703
Other guarantees		
– secured	<b>20,345</b>	45,056

At April 30, 2019, the Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.



## 17. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2019			For the six months ended April 30, 2018		
	Associates	Joint ventures	Related companies	Associates	Joint ventures	Related companies
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exhibition Income	2,525	4	–	4,809	4	–
Sub-contracting fee paid	8,619	–	137	14,792	–	611
Management fee income	2,981	–	–	4,739	–	–
Property rental income	226	–	–	208	13	122
Property rental expenses	–	–	364	–	–	304
Other income	352	–	275	557	–	103

  

	At April 30, 2019			At October 31, 2018		
	Associates	Joint ventures	Related companies	Associates	Joint ventures	Related companies
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables	22,166	–	312	31,268	–	15
Payables	5,296	6,215	105	6,862	5,942	155

*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, 2019 (six months ended April 30, 2018: HK4.5 cents). The interim dividend will be payable on Friday, July 26, 2019 to shareholders on the register of members of the Company on Friday, July 19, 2019.

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

The register of members will be closed from Tuesday, July 16, 2019 to Friday, July 19, 2019, both days inclusive, during which period no transfer 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 Hong Kong branch share registrar, 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 15, 2019.

## **BUSINESS REVIEW AND PROSPECTS**

### **Results**

Group revenue for the six months ended April 30, 2019 was HK\$2,474 million, an increase of 8.0% compared with the previous corresponding period of HK\$2,291 million.

The profit from core operations was HK\$192 million (2018: HK\$182 million), an increase of 5.5% compared with the previous corresponding period. Profit attributable to owners of the Company decreased by 3.9% to HK\$123 million (2018: HK\$128 million), in which a change in remeasurement of contingent consideration and amortisation of other intangible assets arising from business combinations totalling HK\$38 million (2018: HK\$23 million) were recognised.

Basic earnings per share is HK9.95 cents, as compared to HK10.38 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.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

### **Review of Operations**

The Group sustained our growth momentum in all business segments in the first half of this financial year. This growth is a testimony to the effectiveness of our strategies, which have successfully mitigated certain knock-on effects created by unfavourable exchange rates between the US dollar and the RMB, rising global trade tensions, and tightening financial conditions worldwide.

Performance by business segment:

- Exhibition and Event Marketing Services recorded a 4.9% increase in revenue to HK\$2,057 million (2018: HK\$1,960 million).
- Visual Branding Experiences recorded a 2.8% increase in revenue to HK\$147 million (2018: HK\$143 million).
- Museum, Themed Environment, Interior and Retail recorded a 20.6% increase in revenue to HK\$205 million (2018: HK\$170 million).
- Conference and Show Management recorded a 261.1% increase in revenue to HK\$65 million (2018: HK\$18 million).

Our recent acquisitions in the UK and the US are performing satisfactorily, with good revenue growth in line with our performance expectations.

### **Exhibition and Event Marketing Services**

In the first half of this financial year, our Pico+ strategies were the driving force behind the continuous growth of this segment with numerous exhibitions and events completed.

Pico was appointed the official service provider for approximately the same number of trade shows as in the previous corresponding period. Quite a number of these shows have been recurring for several years, like Art Central, the Hong Kong International Jewellery Show and the Global Sources trade shows in Hong Kong; the China International Machine Tool Show in Beijing; Salone del Mobile.Milano Shanghai, Automechanika Shanghai and Design Shanghai; and the Bangkok International Motor Show and Thailand International Motor Expo; Propak Vietnam in Ho Chi Minh City; the Kuala Lumpur International Motor Show and the Export Furniture Exhibition in Kuala Lumpur; and the Singapore Motorshow.

In addition, our impressive reputation allowed us to win new shows, including the inaugural China International Import Expo in Shanghai, positioned as the world's first import expo held at the national level; and a three-year contract for a brand-new art exhibition called Taipei Dangdai, the first international art fair held in Taiwan which featured an impressive line-up of galleries from around the globe.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

#### **Exhibition and Event Marketing Services (Cont'd)**

The first half of this financial year saw Singapore host Rotorcraft Asia and Unmanned Systems Asia, while IMDEX Asia was completed in May in Singapore. These shows were just some of several multi-year biennial shows the Group is involved with in Singapore, with contracts running through to 2026.

With respect to event marketing services, during the period under review, the Group delivered numerous events of various types and scales for world-renowned clients from a wide variety of industries.

One of the Group's long-standing successes in Singapore, the i Light Marina Bay Sustainable Light Art Festival, was held for the seventh time in early 2019. Rebranded as 'i Light Singapore', this year's edition commemorated Singapore's bicentennial anniversary. Added to the show this year was a new attraction called TRANSPORTA, a fascinating look at science which was concept-designed and created by Pico. The Group has event-conceptualised and managed the festival since its first edition and will continue doing so through 2020 at least.

The Group has also been delivering the annual Bahrain Light Festival since the event's launch in 2016. In Hong Kong, we handled the Hong Kong Pulse Light Festival, a dazzling extravaganza of light, music and entertainment. Other significant events completed in Asia included the National Steps Challenge in Singapore and Singapore Day in Shanghai.

In the Middle East, we handled a large number of events, including the Mother of the Nation Festival and celebratory events for the UAE National Day in Abu Dhabi. In Bahrain, we provided a spectacular fireworks display for the Formula 1 Gulf Air Bahrain Grand Prix, and several recurring events, including the Bahrain Food Festival, Bahrain Sea Festival, the Bahrain Shopping Festival, as well as Bahrain National Day festivities in Manama.

In Las Vegas in the US, at CES – the world-famous international consumer electronics and technology show – we repeated our success with activations running for Alibaba, Baidu, Dayton, HiSilicon, HTC VIVE, Huawei, iFLYTEK and Sekisui House.

The Group is continuing to expand our portfolio of creating shows and platforms for which we own the intellectual property. In the first half of this financial year, the Art-Zoo Inflatable Park, which originated in Singapore, completed a six-stop Asian tour, followed by the show's first trip to the Middle East, stopping in Abu Dhabi.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

#### **Exhibition and Event Marketing Services (Cont'd)**

Meanwhile, Born to Run, our new virtual run event platform, was launched in March with a debut campaign called Road to London. This online platform allows companies or communities to achieve their own marketing, corporate or charitable objectives by creating a virtual run. By May, the platform had already hosted three campaigns.

Our distinguished portfolio of automobile brand activations continues to yield impressive results. For Lexus in China, we entered into a high-value, long-term arrangement to deliver multiple events and other activations throughout the entire calendar year. Meanwhile, at two world-class shows – Auto Guangzhou and Auto Shanghai – we handled more than 20 Chinese and international car marques. Many of these brands have also appointed us to activate multi-city road shows and launch events in other cities in China.

Our delivery of event marketing and brand activation services for clients continued in the first half of this financial year, as the Group worked with Bloomberg, China Mobile, DBS and Swarovski in various cities in mainland China; Canon, Cathay Pacific and LG in Hong Kong; McDonald's in Taipei; Google in Beijing, Shanghai and Seoul; the Hong Kong Jockey Club in Guangzhou and Hong Kong; Saudi Arabian Airlines in Dubai, London and Riyadh; NHK in Las Vegas; year-round events for MAN Energy Solutions in various cities in Europe and the US; and Huawei in numerous cities worldwide. Our Pico+ strategies also continued to create results-driven value for clients in mainland China including Alibaba, the Chinese Football Association's Super League, DiDi, iFLYTEK and Yonex.

Organisers and corporate sponsors of many sporting events continued to call on the Group's expertise in providing venue overlay, turnkey event and sports activation services. In the first half of the financial year, these events included the Cathay Pacific/HSBC Hong Kong Sevens, the HSBC Singapore Rugby Sevens, the HSBC Women's World Championship golf tournament in Singapore and the Mubadala World Tennis Championship in Abu Dhabi. We also commenced delivering temporary overlay services for the Pan American Games Lima in Peru. Held every four years, this important sporting event will take place in July and August 2019, bringing together 41 countries and delegations to compete in 39 different sports.

Enhancing our venue management portfolio is the Group's new Yangon Convention Centre. Opened in September 2018, the centre has already hosted several shows, including the Myanmar International Plastics, Rubber, Printing and Packaging Industry Exhibition; the Myanmar Commerce Fair; the Myanmar International Textile and Garment Industry Exhibition; and the Yangon International Motor Show.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

#### **Visual Branding Experiences**

While the overall performance of this business segment remained stable, an impressive growth in profit was achieved in the first half of this financial year. During this period, we continued to provide visual branding solutions to major brands in Greater China, Asia Pacific, Europe, the Middle East and Africa.

In the automobile sector, our technical knowledge and branding solutions continued to be requested by major car brands in China, namely Dongfeng Citroën, Dongfeng Peugeot, Fiat, Lexus, Lincoln, Nissan, SAIC General Motors, Volkswagen and Trumpchi.

We also handled brand signage exports across Asia, Europe and the Middle East for a number of international carmakers, including General Motors, Infiniti, Jaguar Land Rover, Mercedes-Benz, Peugeot, Rolls-Royce and renowned France-based signage company Rousseau.

For Xiaopeng Motors (XPENG), an electric car start-up backed by the Alibaba Group, our role as design consultant for the development of their brand experience centres and showrooms in China will continue for the rest of the financial year.

Our project for TIENS' flagship retail shop in Moscow, Russia was successfully delivered in the first half of this financial year. We will continue to handle the brand's global branding strategy and execution for the remainder of the year.

In the hotel sector, we continued to provide services for Hilton and the Kunming Ramada Hotel in China, with more contracts to be fulfilled in the second half of the financial year.

Our way-finding signage project for the world's largest airport – Beijing Daxing International Airport – will continue until the airport's target opening in September 2019.

#### **Museum, Themed Environment, Interior and Retail**

The overall performance of this business segment remained stable and profitable. During the first half of this financial year, the Group completed a number of significant museum and interior fit-out projects.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

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

Over the past five years, we have completed several themed environment contracts for Sunac theme parks (formerly known as Wanda parks) in numerous cities in China. The first half of this financial year saw the fulfilment of several contracts for the parks in Jinan, Kunming and Wuxi. Theming works for the parks in Chongqing, Kunming and Wuxi will continue through 2019 and beyond. The Group has also been awarded new contracts for the water- and snow-themed zones in the Chongqing park, with work scheduled to commence in the second half of this financial year.

In Japan, we delivered scenic show sets for a popular theme park in Chiba Prefecture near Tokyo.

Elsewhere in China, our service contract for the main pavilion at the Jiangsu Horticultural Expo in Yangzhou, China was substantially completed in the first half of this financial year. This expo ended in 2018, and the client commissioned the Group to provide maintenance services through 2019. Meanwhile, design and fabrication work for the New Era Health Industry Gallery in Yantai has been substantially completed.

In Hong Kong, the Group won contracts to create new exhibits at the Hong Kong Science Museum's Earth Science Gallery. These are expected to be completed by the end of 2019. In Macau, we were awarded contracts from the Macao Science Centre to deliver design, build and interactive hardware and software. These services will commence in the second half of this financial year.

The Rama IX Museum, a multi-year mega-project, was completed by our key associate company Pico (Thailand) Public Company Limited during the period under review. Our large-scale museum project in Oman is also progressing, with a target opening scheduled for 2020.

Other major projects completed in the first half of the financial year include the Port City Colombo Visitor Centre in Colombo; the Vanke Experiential Hall in Kuala Lumpur; the NIO head office and Siemens office in Shanghai; the experience centre for the Suzhou Centre in Suzhou, China; the Singapore Public Utilities Board's Deep Tunnel Sewerage System Project Gallery, the Capgemini Applied Innovation Exchange office and the Eurasian Heritage Gallery in Singapore.

Adding to our portfolio was the acquisition of Local Projects, LLC in New York, a marketing agency that integrates physical design with digital media, which was successfully completed in March 2019, under MTM Choice LLC.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

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

#### **Conference and Show Management**

The overall performance of this business segment showed improvement during the first half of this financial year, with the South Asia region continuing to be a key market.

We delivered several high-level international summits during the period under review. This year marks the fourth year of our five-year contract with the EU Business Avenues in South East Asia programme, an initiative funded by the European Union to help European companies establish long-lasting business collaborations in the region. During the period under review, we fulfilled our commitments to the initiative's Environment and Water Technologies-related programmes in Singapore, with further programmes scheduled for delivery in the second half of the year.

Last year, we completed Singapore's ASEAN chairmanship and its related meetings which ran until November 2018 – the beginning of this financial year.

During the period under review, we delivered a number of recurring shows, including Interior and Design Manila, the Philippines International Furniture Show and Thailand Week in Manila; Incentive Travel and Conventions, Meetings China in Shanghai; and the International Furniture Fair Singapore and PetExpo Singapore.

Other major shows completed included the FUTR Europe Summit in London; the Big Data and AI Asia Conference and Exhibition 2018 and Binance Blockchain Week in Singapore.

The HVAC/R Philippines and Philconstruct shows featured a series of editions held in various cities in the Philippines – Cebu, Clark, Davao and Manila – which will stretch over the entire financial year.

The 2019 edition of Beijing InfoComm China – which the Group co-organised and is usually held in the first half of the financial year – has been rescheduled to July.

Major shows that will be held in the second half of this financial year include the Hotel Suppliers Show, Manufacturing Technology World, Pack Print Plus Philippines and Systems Integration Philippines in various cities in the Philippines; Vinexpo Shanghai; and the FUTR Asia Summit, Food Japan, INTERPOL World, the South Asian Diaspora Convention and TechLaw.Fest in Singapore.



## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### Liquidity and Financial Information

As at period end date, the total net tangible assets attributable to owners of the Company of the Group decreased by 9.4% to about HK\$1,472 million (at October 31, 2018: HK\$1,624 million).

Bank and cash balances amounted to HK\$1,166 million (at October 31, 2018: HK\$884 million), with HK\$18 million pledged bank deposits (at October 31, 2018: HK\$13 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK\$678 million (at October 31, 2018: HK\$775 million).

Total bank borrowings were HK\$488 million at April 30, 2019 (at October 31, 2018: HK\$109 million). They are mainly denominated in Great Britain pound, Hong Kong dollars, United States dollars, New Taiwan dollars and Korean won, and the interest is charged on a fixed and floating rate basis.

	<b>April 30, 2019</b>	October 31, 2018
	<b>Unaudited</b>	Audited
	<b>HK\$' million</b>	HK\$' million
Bank and cash balances	<b>1,148</b>	871
Pledged bank deposits	<b>18</b>	13
Less: Bank borrowings	<b>(488)</b>	(109)
<b>Net cash balance</b>	<b>678</b>	775

For the six months ended April 30, 2019, the Group invested HK\$20 million (year ended October 31, 2018: HK\$133 million) in purchase of property, plant and equipment; HK\$214 million (year ended October 31, 2018: HK\$105 million) in intangible assets through the acquisition of subsidiaries and internal development. All these were financed from internal resources and bank borrowings.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

At April 30, 2019, the Group has HK\$299 million (at October 31, 2018: HK\$16 million) long-term borrowings. The current ratio was 1.47 times (at October 31, 2018: 1.42 times); the liquidity ratio was 1.44 times (at October 31, 2018: 1.38 times) and the gearing ratio was 6.57% (at October 31, 2018: 0.39%).

	<b>April 30, 2019</b>	October 31, 2018
Current ratio (current assets/current liabilities)	<b>1.47 times</b>	1.42 times
Liquidity ratio (current assets – excluding inventories/current liabilities)	<b>1.44 times</b>	1.38 times
Gearing ratio (long term borrowings/total assets)	<b>6.57%</b>	0.39%

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 United States 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, 2019, 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\$453 million (six months ended April 30, 2018: HK\$393 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**

Despite the numerous challenges to the Group that the intensifying US-China trade dispute presents, the second half of this financial year began with the successful delivery of several major contracts.

Our Exhibition and Event Marketing Services business segment will continue to account for the majority of our business activities in the near term. At the same time, the on-going success of our Pico+ strategies is allowing us to capture total brand activation contracts with long-standing clients and further expand our client base into new areas.

Our considerable experience with marketing and delivering mega-activations continues to produce tangible results. The Pico-Nihon Kensetsu joint venture won a major overlay contract for the Archery venue at the Tokyo 2020 Olympic and Paralympic Games, involving venue technical design and build, venue construction, delivery of more than 5,000 temporary seats and handling all necessary government approvals and documentation tasks. At Expo 2020 Dubai, following on from our earlier completion of the visitor and sales centres, we have also confirmed several contracts including an overlay package, a design and build contract for the Algeria Pavilion and a design and construction supervision contract for the Pakistan Pavilion. We are redoubling our efforts to secure further contracts in the run-up to both these mega-events.

Pico's involvement in many long-standing exhibitions and events will continue in the second half of the financial year. These include: Gardens by the Bay's Children's Festival, the Formula 1 Singapore Airlines Singapore Grand Prix, the Singapore National Day Parade and Ultra Singapore electronic music festival in Singapore; the Affordable Art Fair, Cloud Expo Asia, HOFEX Food and Hospitality Tradeshow and the Hong Kong Jewellery and Gem Fair in Hong Kong; the annual China (Hunan) International Mineral and Gem Expo in Chenzhou; and the LEGO SHOWS Bahrain in Manama.

Another high-profile new event the Group will deliver in the remainder of this financial year is the e-Sports and Music Festival Hong Kong. At the Shenzhen-HongKong-Macao International Auto Show and Auto Chongqing, held in early June, we provided exhibition marketing services for a number of renowned car brands; many of which we will also be servicing at the Chengdu Motor Show and Auto Guangzhou in the latter half of 2019.

## **BUSINESS REVIEW AND PROSPECTS (CONT'D)**

### **Prospects (Cont'd)**

Our contract to provide signage services for Jewel Changi Airport in Singapore is targeted for completion in June. Jewel is a spectacular mixed-use development with gardens, retail and F&B outlets, a hotel and other facilities to support this world-class airport. The Group has won a significant contract to deliver theming work for the Bird Park and its arrival entrance – the West Node – in the Mandai precinct in Singapore. The Bird Park is expected to open in 2020. Our three-year contract with Rainforest Lumina at the Singapore Zoo – another beautiful themed attraction – is on track and will continue until 2020.

On top of the theming contracts with a Hollywood movie theme park in Beijing, we also won a design and build contract for a new attraction for the same theme park brand in Osaka Japan. Work will commence in the second half of this financial year and will continue until 2020.

2020 will be a year of spectacle and mega-events for the Group, with the Olympics, World Expo and various new and upgraded themed attractions augmented by a host of large-scale infrastructure and tourism projects. Many of these projects are well underway, creating immense opportunities for the Group.

We are confident that by next year, barring any unexpected events, the positive revenue growth in our recent acquisitions will begin making positive contributions to the growth of the Group.

We will continue our investment strategy in the UK and the US via potential acquisitions. If such potential acquisitions indeed materialise in the future, we will comply with all appropriate disclosure requirements in accordance with the Listing Rules.

According to the World Bank's Global Economic Prospects report, released in early June, the global economy faces some uncertainty ahead, with more fragile growth momentum and more substantial risks cited as reasons for a reduced global growth forecast.

While we are cautious in the face of these risks, we remain confident that by focusing on our growth strategies, we will continue to see positive results. As always, we are being prudent with our investment to ensure that potential risks are managed.

Unforeseen circumstances aside, we anticipate that the second half of this year will see continued solid performance.

## DIRECTORS' INTERESTS IN SHARES

At April 30, 2019, 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)	10,558,000	–	10,558,000	0.85%
Ms. Jean Chia Yuan Jiun	(Note 2)	475,000	–	475,000	0.04%
Mr. Mok Pui Keung	(Note 3)	738,000	–	738,000	0.06%
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 interest in 9,158,000 shares and interest in 1,400,000 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 Ms. Jean Chia Yuan Jiun represents the interest in 475,000 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 662,000 shares and interest in 76,000 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**

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 ("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, 2018	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2019
<i>Category 1: Directors</i>					
Mr. Lawrence Chia Song Huat					
	(Notes 2, 6) 1,600,000	-	(1,600,000)	-	-
	(Note 4) 1,400,000	-	-	-	1,400,000
Ms. Jean Chia Yuan Jiun					
	(Note 4) 475,000	-	-	-	475,000
Mr. Mok Pui Keung					
	(Notes 1, 6) 28,000	-	(28,000)	-	-
	(Notes 2, 6) 42,000	-	(42,000)	-	-
	(Notes 3, 6) 50,000	-	(50,000)	-	-
	(Note 4) 46,000	-	-	-	46,000
	(Note 5) 30,000	-	-	-	30,000
Total Directors	3,671,000	-	(1,720,000)	-	1,951,000
<i>Category 2: Employees</i>					
	(Note 1) 290,000	-	-	-	290,000
	(Notes 2, 6) 974,000	-	(800,000)	-	174,000
	(Note 3) 302,000	-	-	-	302,000
	(Note 4) 1,657,000	-	-	-	1,657,000
	(Note 5) 406,000	-	-	-	406,000
Total employees	3,629,000	-	(800,000)	-	2,829,000
Total all categories	7,300,000	-	(2,520,000)	-	4,780,000

## SHARE OPTIONS (CONT'D)

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

*Notes:*

- (1) 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.
- (2) 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.
- (3) 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.
- (4) The exercise price is HK\$3.308. The option period during which the options may be exercised is the period from May 25, 2017 to May 24, 2022. The date of grant was May 24, 2017.
- (5) The exercise price is HK\$3.350. The option period during which the options may be exercised is the period from May 23, 2018 to May 21, 2023. The date of grant was May 21, 2018.
- (6) The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$2.968.



## 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	Risk-free rate %	Annual dividend yield %
		expected life of share options Year(s)		average share price HK\$		
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
May 24, 2017	3.308	5.00	28.00	3.308	1.150	5.25
May 21, 2018	3.305	5.00	27.00	3.350	2.430	4.96

- (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\$53,000 for the six months ended April 30, 2019 (six months ended April 30, 2018: HK\$421,000) 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, 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interest disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

<b>Name of Shareholders</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of issued share capital</b>
Pine Asset Management Limited	462,167,186	37.34%
FMR LLC	122,489,610	9.90%
APG Asset Management N.V. <i>(Note)</i>	63,296,600	5.11%
APG Groep N.V. <i>(Note)</i>	63,296,600	5.11%
APG Investments Asia Limited <i>(Note)</i>	63,296,600	5.11%
Stichting Depository APG Emerging Markets Equity Pool <i>(Note)</i>	63,296,600	5.11%
Stichting Pensioenfonds ABP <i>(Note)</i>	63,296,600	5.11%

*Note:* These shares are held by Stichting Depository APG Emerging Markets Equity Pool, acting as the depositary of APG Emerging Markets Equity Pool ("Pool"). The shares are controlled by APG Asset Management N.V. ("APG AM"), as the manager of the Pool, and by APG Investments Asia Limited, a wholly owned subsidiary of APG AM and a sub-manager of the Pool. APG Groep N.V. is the wholly owned parent of APG AM. It is majority owned by Stichting Pensioenfonds ABP, which is also a participating investor in the Pool.

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, 2019.

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

During the period ended April 30, 2019, 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, 2019, 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 deviation:

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.

## **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, 2019.

## **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 19, 2019