Annual Report | 2019

drive
CHANGE

pico

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

50 Years of Driving Change

In our world, the only constant is change. With the ways in which we live and work constantly being reshaped and reimagined, it is essential for brands to develop an effective integrated marketing strategy that activates the brand promise across all platforms and channels – in both live and digital interactions.

Over our 50 years, the Pico Group has committed ourselves to delivering such strategies, first developing and now mastering the concept of total brand activation: creating immersive experiences that deliver unforgettable and highly effective engagements which target audiences around the world.

Our unique strength is the diversity of our inspired professionals who blend skill sets across multiple disciplines to create powerful, engaging activations engineered for superior results.

In 2019, the Group celebrated our 50th anniversary. We are proud of our five-decade transformation from a commercial art studio into a global powerhouse delivering experience design, digital enablement and brand engagement. With a global workforce of some 2,500 permanent staff working in 35 cities, the Group now services the world's greatest brands, driven by Pico+ strategies and Pico X digital enablement, creating greater value for our existing clients and attracting new clients.

The Pico Group now aims to continue to innovate and evolve to create success for the next 50 years and beyond; and we remain dedicated to transforming, growing and maximising value for our clients in our ever-changing world.

Cover: Z by HP at Adobe Max in Los Angeles

Vision

To be a global leader in total brand activation specialising in engaging people, creating experiences and activating brands.

Mission

To deliver innovative and effective solutions for our clients which transform perceptions.

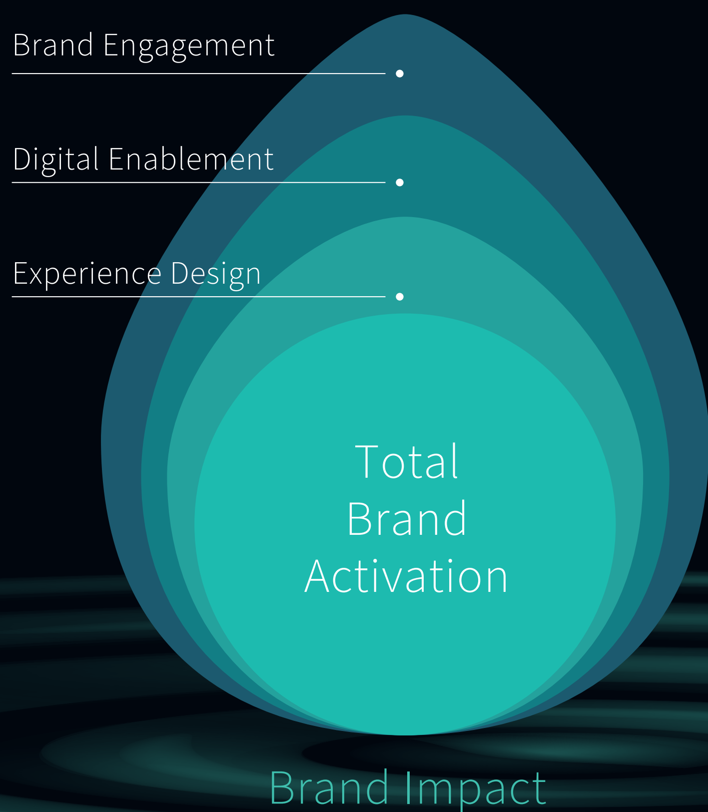
People - We are a cohesive network of knowledge-based professionals who work as a global team to achieve the goals of our clients, our offices and the Group.

Place - We provide harmonious and inspiring workplaces where people can share and contribute equally.

Planet - We are a socially responsible and eco-friendly corporate citizen that takes into account the needs of our people, our community and our planet.

Profit - We add value, create returns on investment and maximise sustainable value for shareholders.

The Pico Difference



Core Values

Innovation

Creativity

Inspiration

Passion

Precision

Harmony

Content

Results in Brief

Revenue **HK$5,017m** *(2018: HK$4,631m)*	+8.3%
Profit from core operations **HK$389.5m** *(2018: HK$366.1m)*	+6.4%
Profit for the year **HK$264.1m** *(2018: HK$273.2m)*	–3.3%
Profit attributable to owners of the Company **HK$256.8m** *(2018: HK$271.5m)*	–5.4%
EBITDA* **HK$450.6m** *(2018: HK$438.3m)*	+2.8%
Earnings per share — basic **HK20.76 cents** *(2018: HK22.01 cents)*	–5.7%
Earnings per share — diluted **HK20.76 cents** *(2018: HK21.98 cents)*	–5.6%
Dividend per share **HK13.5 cents** *(2018: HK13.5 cents)*	–
Equity attributable to owners of the Company **HK$1,983m** *(2018: HK$1,912m)*	+3.7%
Return on average equity attributable to owners of the Company **13.2%** *(2018: 14.2%)*	–1ppt
Current ratio **1.44 times** *(2018: 1.42 times)*	+1.4%

* *Earnings before interest, taxes, depreciation, amortisation and a change in remeasurement of contingent consideration.*

Group Facts

About **4,000**
events activated worldwide

Official service provider for
4,700,000+ sq. m.
of gross exhibition space

Operations span **35** cities worldwide

About **100,000** sq. m.
of production facilities

20+
international awards in 2019

Chairman's Statement

I am pleased to present our shareholders with the annual report of the Company and its subsidiaries ('the Group') for the year ended October 31, 2019.

Results

During the year under review, the Group reported total revenue of HK$5,017 million (2018: HK$4,631 million), representing an increase of 8.3% compared to the same period last year.

This year the Group celebrated our 50 year anniversary and reported another year of record-breaking revenue. We were able to sustain strong growth momentum despite operating in an increasingly tough environment. This continued growth in revenue can be attributed to the effectiveness of our Pico+ strategies and our resilient operating structure.

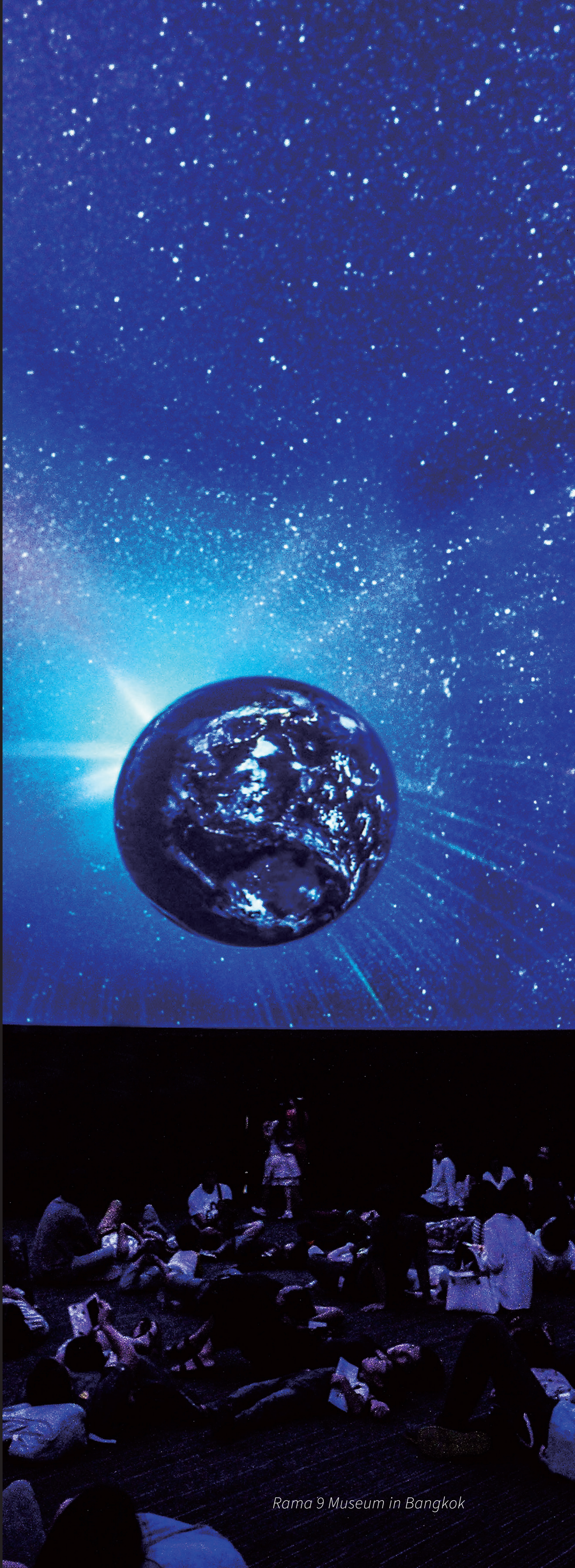
Earnings before interest, taxes, depreciation, amortisation and a change in remeasurement of contingent consideration (EBITDA) increased by 2.8% to HK$450.6 million (2018: HK$438.3 million).

Profit from core operations was HK$389.5 million (2018: HK$366.1 million), an increase of 6.4% compared to the same period last year.

Profit for the year attributable to owners of the Company decreased by 5.4% to HK$256.8 million (2018: HK$271.5 million). This decrease is mainly due to the increase in the change in remeasurement of contingent consideration, interest expenses and the amortisation of other intangible assets arising from business combinations due to the acquisition activities of the Group.

Dividend

The Directors recommend the payment of a final dividend of HK9.0 cents (2018: HK9.0 cents) per ordinary share. Together with an interim dividend of HK4.5 cents (2018: HK4.5 cents) per ordinary share, the total dividend for the year amounts to HK13.5 cents (2018: HK13.5 cents) per ordinary share, representing 65.0% of this year's basic earnings per share of HK20.76 cents (2018: HK22.01 cents).



Rama 9 Museum in Bangkok

Review of Operations

As of October 31, 2019, the Group operated in 35 cities with 41 permanent offices.

During the period under review (also called 'this year' or 'this financial year' in this Chairman's Statement), the Group continued to maintain our global reach while keeping a strong focus on Asia and particularly China. Our global network operation model remained dynamic and agile – and when opportunities arose, we worked closely to form project teams across geographical boundaries.

In March 2019, the acquisition of Local Projects, LLC, a marketing agency based in New York engaging in design and production services that integrate physical design with digital media, was successfully completed under MTM Choice Holdings LLC.

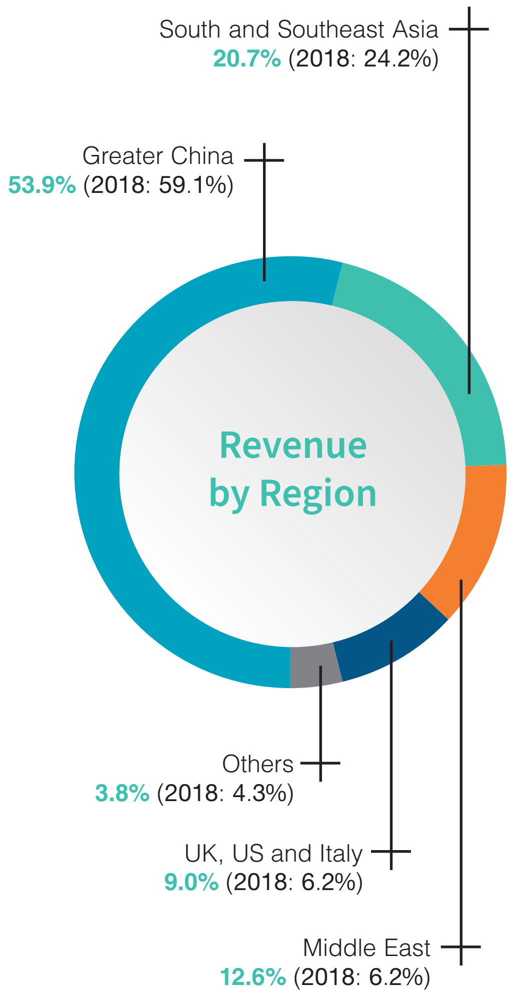
In June, the Group's acquisition of Infinity Marketing Team, LLC ('Infinity') in the US was completed. Servicing clients throughout the country, Infinity specialises in experiential events, exhibit environments, mobile marketing tours, digital marketing, event furnishings and brand marketing strategies.

The performance of all our recent acquisitions has been excellent with one exception, namely our US subsidiary, Not Ordinary Media, LLC ('NOM'), which did not meet expectations. We have taken steps to diversify its client base and accelerate the development of its proprietary software. The two original sellers were asked to step aside and agreed to revise the consideration amount downwards. The extinguishment gain was then reversed as other income. Due to the restructuring and transformation of NOM's client base to a well-diversified client portfolio, the Group has revised its cash flow forecasts for this cash generating unit. A proportional impairment loss on goodwill arose for this financial year. As a result, most of the extinguishment gain was offset by the underperformance and impairment loss on the goodwill of NOM.

We continuously implemented our digital transformation strategies this year, both externally for our clients and internally in our operations. Drawing on the latest and most appropriate technologies, we worked to develop innovative solutions for our clients. Internally, in addition to continual training to empower our people with new digital capabilities, we also invested in a unified IT system, named Power One, as we rolled out digitalisation across various Group functions. Power One includes automation and a centralised infrastructure used across our entire network, efficiently streamlining procedures and providing the whole Group with data analytic technologies and tools for customer relationship management and client retention.

Our centralised deployment centre model, which consolidates project management, procurement and production processes, saw tangible results in improving our gross margin in operations in Northern China and we are now rolling out this initiative to Southern China, including Hong Kong. In future, we see this model as a unique competitive advantage for the Group that creates value for all our stakeholders.

The diversity of our talented and inspired professionals, including people of different genders, ages, physical abilities, ethnicities and nationalities, is the driving force behind our 50 years of constant growth and success. This year, we had a global workforce of some 2,500 permanent staff working in 21 countries, with a gender ratio balanced at nearly 50:50 and over 70% of our workforce under the age of 40. The Group believes that attracting a pool of talent from the younger generation will be of significant importance to our future growth.



Review of Business

Geographical Review

Geographically, the Greater China region (including Mainland China, Hong Kong, Macau and Taiwan) accounted for 53.9% (2018: 59.1%) of the Group's total revenue of HK$5,017 million (2018: 4,631 million).

South and Southeast Asia (including India, Malaysia, the Philippines, Singapore and Vietnam) accounted for 20.7% (2018: 24.2%); the Middle East, including Bahrain, Qatar and the United Arab Emirates, accounted for 12.6% (2018: 6.2%); while the United Kingdom, the United States and Italy accounted for 9.0% (2018: 6.2%). Other regions accounted for 3.8% (2018: 4.3%).

Business Segment Review

Exhibition and Event Marketing Services

During the period under review, revenue in the Exhibition and Event Marketing Services segment accounted for HK$3,888 million (2018: HK$3,818 million) or 77.5% (2018: 82.4%) of the Group's total revenue. Profit in this segment was HK$320.5 million (2018: HK$328.1 million).

Revenue		Profit	
2019	2018	2019	2018
HK$3,888 million	HK$3,818 million	**HK$320.5** million	HK$328.1 million

This year our profit dropped in this segment, mainly due to fewer mega-events – in Hong Kong and the South Asia region – which usually have a better profit margin; and the fact that there are generally fewer exhibitions held in odd-numbered years.

The Group's solid foundation and strong capabilities enabled us to deliver a set of satisfactory results, which offsets the cancellation or postponement of several events in Hong Kong, including the Hong Kong Cyclothon and the Hong Kong Tennis Open. This year, we continued to win contracts as the official service provider for a number of exhibitions, representing a 5.5% increase over the last year.

These exhibitions included:

- The 100th China Food and Drinks Fair in Chengdu
- ASEAN Super 8, Kuala Lumpur International Motor Show, the Export Furniture Exhibition and the POWERGEN Asia in Kuala Lumpur
- Asia Fruit Logistica, Art Central, the Hong Kong International Jewellery Show, HOFEX Food and Hospitality Tradeshow, and the Global Sources trade shows in Hong Kong
- The Bangkok International Motor Show and Thailand International Motor Expo
- China International Machine Tool Show and the International Exhibition of Automobile Accessories, China in Beijing
- China International Sewing Machinery and Accessories Show, Salone del Mobile.Milano Shanghai, Automechanika Shanghai and Design Shanghai
- Cloud Expo Asia in Hong Kong and Singapore
- FinTech Abu Dhabi
- INDEX Qatar in Doha
- ProPak Vietnam and the Vietnam Saigon Textile and Garment Industry Expo in Ho Chi Minh City
- Singapore Motorshow and ITB Asia in Singapore

During the year, we won several new shows, including the inaugural China International Import Expo in Shanghai in November 2018, positioned as the world's first national-level import expo. Our success at the show led to further contracts for the second expo, held in November 2019. Similarly, our unique expertise in art shows in Hong Kong and Singapore contributed to winning a three-year contract for the brand-new Taipei Dangdai, the first art fair in Taiwan to feature an extensive line-up of international galleries. The first Taipei Dangdai show was completed in January 2019 and the second was held in January 2020.

The Group also delivered events during the year for such renowned brands as Alibaba Cloud, Audi, BBC, BMW, Canon, the Chinese Football Association Super League, Evian, Google, the Hong Kong Jockey Club, Huawei, IBM, JD, KPMG, LG, MAN Energy Solutions, Mercedes-Benz, Moët Hennessy, NHK, Porsche, PwC, Saudia Airlines, Tencent and Volvic, among many others.

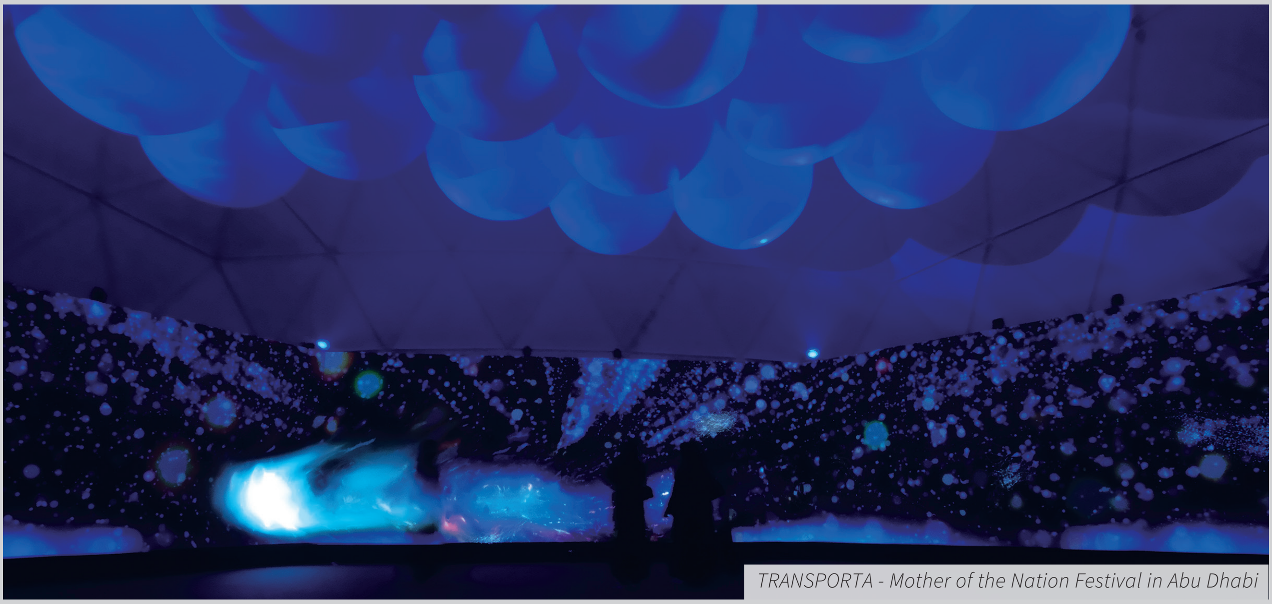
Our Pico+ strategies continue to yield tangible results in terms of expanding our service offerings to existing clients and securing retainer contracts in digital marketing and interactive technology solutions and brand strategies. Clients for these services during the year included Bloomberg, DBS, DiDi, Facebook, Hormel, L'Oréal's Travel Retail, Lexus, NBA, Wemade Entertainment and Yonex. We also secured new contracts with some of these brands for 2020.

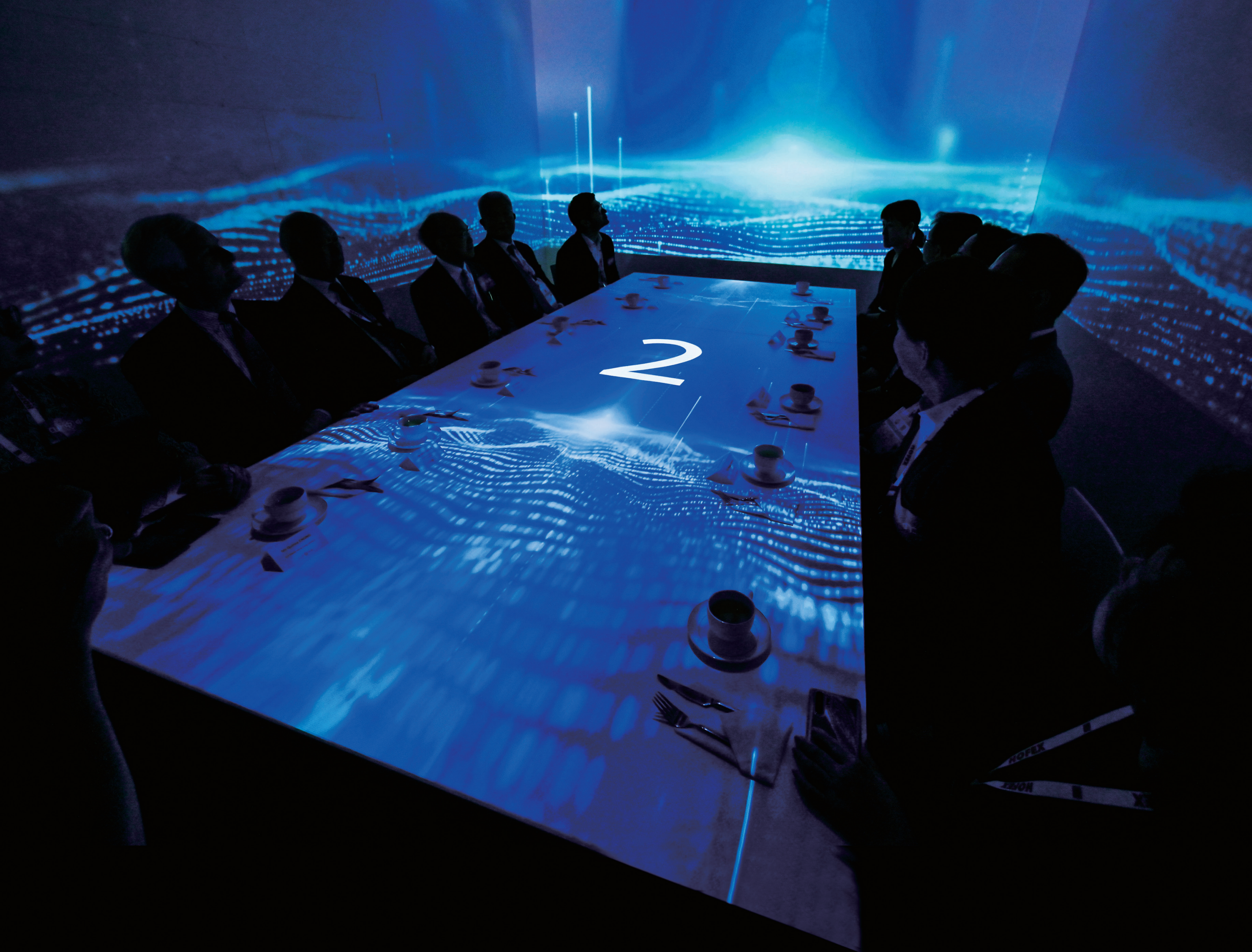
In Singapore, the seventh i Light Marina Bay Sustainable Light Art Festival was held in early 2019. Rebranded as 'i Light Singapore', this edition commemorated Singapore's bicentennial and featured a new attraction called TRANSPORTA, a fascinating look at science that was conceptualised, designed and created by Pico. We will continue our involvement with i Light Singapore in March 2020, as well as continue to market TRANSPORTA to other cities.

TRANSPORTA is an example of how the Group is working to expand our portfolio of shows and platforms for which we own the intellectual property. Another is Art-Zoo Inflatable Park, which was launched in Singapore in 2017 and subsequently completed a six-stop Asian tour and a trip to the Middle East. We also delivered the Children's Festival at Gardens by the Bay in Singapore, which attracted more than 500,000 visitors over a two-week period.

In the Middle East, we handled the Mother of the Nation Festival and celebratory events for the UAE National Day in Abu Dhabi; the Dubai Health Forum in Dubai; Bahrain National Day festivities, Mara'ee – the Bahrain Animal Production Show, the Middle East premiere of the Wizard of Oz Broadway musical and a series of events for the Bahrain Tourism and Exhibitions Authority in Manama; and the Hyundai Motor Park – Saudi Women Driving Campaign in various cities in Saudi Arabia.

Alibaba Group at CES in Las Vegas


TRANSPORTA - Mother of the Nation Festival in Abu Dhabi



In Las Vegas, at CES – the world-famous international consumer electronics and technology show – we repeated our success with activations for Alibaba Group, Baidu, Dayton, HiSilicon, HTC VIVE, Huawei, iFLYTEK and Sekisui House. In Barcelona, at the quadrennial ITMA – a trendsetting textile and garment technology trade show – we provided services for Adobe, CCI Tech Inc., Oerlikon, Picanol, Shima Seiki, Sonoco, Stäubli, Tsudakoma and Woolmark.

Other major events completed during this year included the e-Sports and Music Festival Hong Kong and the Hong Kong Pulse Light Festival; Singapore Day in Shanghai; the Armistice Centenary public art project at Remembrance Day in five cities in Queensland, Australia; and in Singapore, the National Steps Challenge, the Ultra Singapore electronic music festival, National Day Parade, and the Formula 1 Singapore Airlines Singapore Grand Prix.

Our sports event credentials also gained further strength this year. We completed the Cathay Pacific/HSBC Hong Kong Sevens, the HSBC Singapore Rugby Sevens and the HSBC Women's World Championship golf tournament in Singapore, the Mubadala World Tennis Championship in Abu Dhabi, and the Pan American Games Lima in Peru.

CLP at HOFEX Food and Hospitality Tradeshow in Hong Kong

After one year of operation, the Yangon Convention Centre is gaining steady traction, illustrated by the increasing number of shows held in the second half of the year, which included the MESL: Road to SEA Games. Organised by the Myanmar Electronic Sports League, this national-scale event was the country's first-ever e-sports tournament. We have already contracted a number of recurring shows for the coming year, including the Myanmar International Plastics, Rubber, Printing and Packaging Industry Exhibition and the Yangon International Motor Show.

We continue to explore opportunities in exhibition hall management, with our expertise spanning design development from the pre-opening phase, to facilities and operations management and marketing ancillary services for revenue generation. Our new Jinjiang International Convention and Exhibition Centre in China is scheduled to open in April 2020. The inaugural show, the 22nd Jinjiang Footwear and the 5th Sports Industry International Exposition, China, is expected to use the Centre's entire 40,000 square metre of exhibition space.

Visual Branding Experiences

This segment accounted for HK$255 million (2018: HK$368 million) or 5.1% (2018: 7.9%) of the total Group revenue. Segment profit was HK$23.9 million (2018: HK$42.8 million).

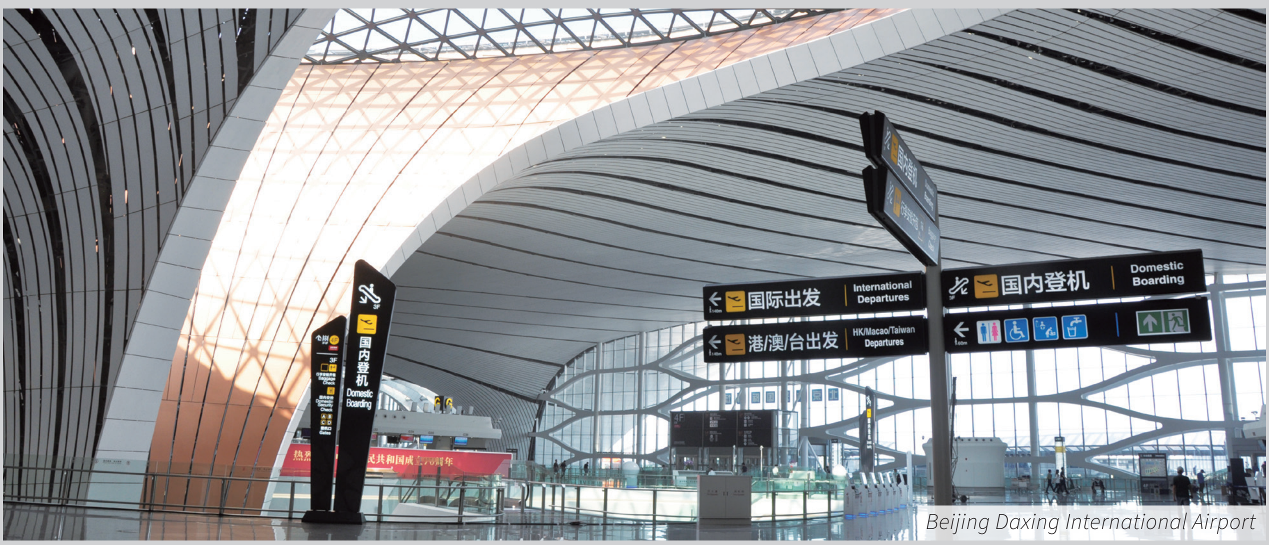
Revenue		Profit	
2019	2018	2019	2018
HK$255 million	HK$368 million	**HK$23.9** million	HK$42.8 million

The decrease in the revenue and profit in this segment came mainly from a decelerated expansion of our automobile clients, due to the dampened car market and slowing economy in Mainland China. During the year, our automobile clients in this segment included Cadillac, Ford, General Motors, Jaguar Land Rover, Jeep, Lexus, Lincoln, Mercedes-Benz, Nissan, Toyota, Trumpchi, Xiaopeng Motors and Volvo.

Outside China, we also handled brand signage exports across Asia, Europe, the Middle East and North America for carmakers including Bentley, Cadillac, Infiniti, Jaguar Land Rover, Mercedes-Benz, Peugeot, Rolls-Royce and the France-based signage company Rousseau.

Meanwhile, we successfully delivered comprehensive wayfinding signage for the Beijing Daxing International Airport – reportedly the world's largest single-structure airport terminal. In Singapore, our contract to provide signage services for attractions at the Jewel Changi Airport was also completed. For the 14,000 square-metre Canopy Park at Jewel's top level, we designed and created a signage system which included signs for attractions, ticketing kiosks and safety that fulfil functional and aesthetic considerations.

Both wayfinding projects have sharpened our competitive edge as we pursue further opportunities in national-scale public transport infrastructure and similar large-scale projects.



Beijing Daxing International Airport

We also continued to provide visual branding solutions to brands from the hospitality, catering, retail, and finance industries. In addition to serving long-term clients such as Hilton, Holiday Inn and the Kunming Ramada Hotel, we gained new clients including Ajisen Ramen, Babi Food, Levi's, two-wheel electric vehicle manufacturer Yadea, and others.

Though we face an uncertain situation in the automobile sector in China, our longstanding commitment to client-based diversification strategies is enabling us to develop revenue streams in many industries across a wide geographical area, which currently spans Greater China, Asia Pacific, Europe, the Middle East and North America.

Museum, Themed Environment, Interior and Retail

This segment accounted for HK$730 million (2018: HK$359 million) or 14.5% (2018: 7.8%) of total Group revenue in the 2019 financial year. Segment profit was HK$71.5 million (2018: HK$30.5 million).

Revenue		Profit	
2019	2018	2019	2018
HK$730 million	HK$359 million	**HK$71.5** million	HK$30.5 million

The increase seen in this segment was mainly due to the commencement of our large-scale museum project in Oman and our newly-acquired company, Local Projects, LLC, during this financial year.

In Japan, we delivered scenic show sets for a popular theme park in Chiba Prefecture near Tokyo. We also delivered a theming contract for the park in Penny's Bay in Hong Kong.

In China, since 2014, we have fulfilled a variety of extensive design and construction work contracts at Sunac theme parks (formerly known as Wanda parks) in several cities. This financial year, while completing contracts in various themed zones of some of these parks, the Group also won a new contract for a park in Jinan. We will continue to fulfil several on-going contracts in Chongqing and Wuxi through financial year 2020.

Huawei showrooms in China

Eurasian Heritage Gallery in Singapore

Rama 9 Museum in Bangkok

Elsewhere in China, we completed maintenance services for the main pavilion at the Jiangsu Horticultural Expo in Yangzhou and a design and construction contract for the New Era Health Industry Gallery in Yantai.

In Macau this year, we completed design, build and interactive hardware and software work for the Macao Science Centre.

The Rama 9 Museum, a multi-year mega-project, was completed by our key associate company Pico (Thailand) Public Company Limited and officially opened in December 2019. In Singapore, we finished our work on the State Courts Heritage Gallery in November 2019.

Other major projects completed during the financial year included:

- Eurasian Heritage Gallery in Singapore
- Heineken x 7-11 concept store 'The Heineken Space' in Taipei
- Huawei labs and showrooms in various cities in China
- McKinsey & Company learning centre in Kobe
- Midea showroom in Foshan
- Port City Colombo Visitor Centre in Colombo
- Singapore Public Utilities Board's Deep Tunnel Sewerage System Project Gallery in Singapore

Heineken x 7-11 concept store 'The Heineken Space' in Taipei

Conference and Show Management

This segment accounted for HK$144 million (2018: HK$86 million) or 2.9% (2018: 1.9%) of the total Group revenue. Segment profit was HK$25.4 million (2018: HK$20.1 million).

Revenue		Profit	
2019	2018	2019	2018
HK$144 million	HK$86 million	**HK$25.4 million**	HK$20.1 million

The overall performance of this business segment recorded growth, with the South Asia region continuing to be a key market.

Our delivery of high-level international summits continued this financial year. We provided a full spectrum of turnkey event management services for Singapore's ASEAN summit and related events in November 2018. The Group also provided vital support to ancillary events, including the ASEAN Business and Investment Summit, the ASEAN Economic Community Council Meeting and related meetings, and the ASEAN Business Awards Gala Dinner.

The Group also fulfilled 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 lasting business collaborations in the region. Using Singapore as a hub, we delivered several 'business missions' for the programme this financial year in Indonesia, the Philippines, Singapore, Thailand and Vietnam. These business missions included Green Energy Technologies, Environment and Water Technologies, Information and Communication Technologies, Healthcare and Medical Technologies, and Organic Food and Beverage.

Recurring shows delivered during this year included Beijing InfoComm China; Incentive Travel and Conventions, Meetings China in Shanghai; the Hotel Suppliers Show, Manufacturing Technology World in various cities in the Philippines, Interior and Design Manila, the Philippines International Furniture Show and Thailand Week in Manila; and the International Furniture Fair Singapore, INTERPOL World and TechLaw.Fest in Singapore.

The Group also succeeded in adding value to recurring shows. At the annual PetExpo Singapore, we introduced a new digital solutions suite which enhanced exhibitors' client engagement and data analytics while impressing visitors with a unique personal experience.

In January 2019, the Group acquired a significant stake in FUTR World Limited, a global trends, innovation and summit business exploring the future of retail, marketing and commerce in Asia, Europe and the US. In October 2019, the FUTR Asia Summit was launched in Singapore, enabling brands and retailers from across the digital, marketing, e-commerce, customer experience, retail, and innovation sectors to engage with their customers.

Pack Print Plas Philippines in Manila

Singapore's ASEAN summit and related events in 2018

Other major shows completed during the financial year were:

China
- Vinexpo Shanghai

The Philippines
- China Machinery and Electronic Brand Show (Philippines) in Manila
- Food and Beverages Suppliers Show Visayas and Mindanao
- Franchise Asia Philippines Expo in Manila
- Pack Print Plas Philippines in Manila
- Print and Label Visayas and Mindanao
- Philconstruct Luzon, Visayas, Mindanao and Manila
- Transport and Logistics Philippines in Manila

Singapore
- Big Data and AI Asia Conference and Exhibition
- Binance Blockchain Week
- Ministry of Trade and Industry meeting
- New Economic Forum
- Singapore Regional Business Forum and Singapore Regional Infrastructure Summit

The UK
- FUTR Europe Summit in London

Financial Position

As at year end date, total net tangible assets of the Group decreased by 16.0% to about HK$1,360 million (2018: HK$1,620 million).

Bank and cash balances amounted to HK$1,294 million (2018: HK$884 million), with HK$16 million pledged bank deposits (2018: HK$13 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK$682 million (2018: HK$775 million).

Total borrowings were at HK$612 million at October 31, 2019 (2018: HK$109 million). Borrowings 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. The Group's bank loans of HK$185,000 (2018: HK$189,000) carry fixed interest rate.

	2019 HK$' million	2018 HK$' million
Bank and cash balances	**1,278**	871
Pledged bank deposits	**16**	13
Less: Borrowings	**(612)**	(109)
Net cash balance	**682**	775

For the year ended October 31, 2019, the Group invested HK$41 million (2018: HK$133 million) in property, plant and equipment and investment properties through purchase and acquisition of subsidiaries; HK$388 million (2018: HK$105 million) in intangible assets including purchase and development of software, and other intangible assets through acquisition of subsidiaries. All these were financed from internal resources and bank borrowings.

The Group has HK$354 million (2018: HK$16 million) long-term borrowings at October 31, 2019. The current ratio was 1.44 times (2018: 1.42 times); the liquidity ratio was 1.42 times (2018: 1.38 times); and the gearing ratio was 7.23% (2018: 0.39%).

	2019	2018
Current ratio (current assets/ current liabilities)	**1.44 times**	1.42 times
Liquidity ratio (current assets — excluding inventory and contract work in progress/ current liabilities — excluding contract work in progress)	**1.42 times**	1.38 times
Gearing ratio (long-term borrowing/total assets)	**7.23%**	0.39%

Although our subsidiaries are located in many different countries of the world, over 74% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and United States dollars, and the remaining 26% were denominated in other Asian currencies and European currencies. We are already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the year. The Group has adopted a hedging policy to hedge the exposure to minimise the impact of foreign currency risk on cash flow. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group entered into foreign currency forward contracts to mitigate currency exposure of significant future transactions and cash flows in foreign currency. At the end of the reporting period, the notional amounts of the outstanding foreign exchange forward contracts were GBP21 million (2018: nil).

Employees and Emoluments Policies

At October 31, 2019, the Group employs over 2,500 staff engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. The staff costs incurred in the year were about HK$960 million (2018: HK$865 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 scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

Pledge of Assets

At October 31, 2019, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	2019 HK$'000	2018 HK$'000
Freehold land and buildings	**55,913**	55,571
Leasehold land and buildings	**117,152**	123,085
Pledged bank deposits	**15,822**	12,711
Guarantee deposits	**–**	2,747
	188,887	194,114

Contingent Liabilities

Financial Guarantees Issued

At October 31, 2019, the Group has issued the following guarantees:

	2019 HK$'000	2018 HK$'000
Performance guarantees		
— secured	**106,513**	63,738
— unsecured	**26,730**	21,965
	133,243	85,703
Other guarantees		
— secured	**27,709**	45,056

At October 31, 2019, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

Capital Commitments

	2019 HK$'000	2018 HK$'000
Capital expenditures in respect of property, plant and equipment and other investment		
— contracted but not provided for	**9,645**	17,379
— authorised but not contracted for	**2,256**	2,213
	11,901	19,592

Outlook

Despite the numerous challenges we experienced throughout the year, the set of results delivered by the Group reflects the effectiveness of our strategies designed to mitigate certain impacts of the cyclical nature of our business in odd-numbered years. We are continuing to work hard to be agile and provide strategies and solutions which cater to our clients' ultimate needs.

With our Pico+ strategies continuing to be a growth driver, the Exhibition and Event Marketing Services segment will continue to account for the majority of our business activities in the near term. Meanwhile, our Pico X digitalisation strategies will continue to create more value for our existing clients and attract new clients through the deployment of relevant technologies and data analytics.

The Group is scheduled to complete several major events in the coming financial year. Expo 2020 Dubai will be held from October 2020 to April 2021. Held once every five years, this universal exposition is a high-profile global event with many opportunities for the Group – not only in design and content development for country and corporate pavilions, but also in events, operations management and various activations, before and during the Expo period. We have already secured several contracts for the creation of pavilions including the Algeria, Malaysia, and UK Pavilions. In addition, we have secured overlay package contracts and a contract to provide visual branding and wayfinding services.

In Tokyo, a Pico-Nihon Kensetsu joint venture won a major overlay contract for the Archery venue at the Tokyo 2020 Olympic and Paralympic Games from July to September 2020, involving venue technical design and build, venue construction and delivery of more than 5,000 temporary seats.

We are also looking forward to delivering the Ultra Abu Dhabi electronic music festival, and the ARTCADE +65 interactive art event and the Hydeout music festival in Singapore. Other large-scale recurring projects will include the Children's Festival at Gardens by the Bay, i Light Singapore and the Singapore Airshow.

At CES held in January 2020 in Las Vegas, we completed activations for Dayton, Huawei, Koito, Kyocera and Sekisui House.

The second China International Import Expo was held in Shanghai in November 2019. We provided services for clients including Brother, DuPont, Fung Group, GE, HIWIN, Liebherr and Singapore Business Federation. We have also been appointed official service provider for the biennial ITMA Asia and CITME in Shanghai in October 2020.

For our Visual Branding Experiences segment, our continuing digital transformation and innovation strategy will drive new business. We are well placed to seize and build upon new opportunities emerging during the coming year, both within China and worldwide. So far we have confirmed a design contract with the Shanghai Volkswagen Brand Experience Centre in Shanghai; contracts for visual identity services for 150 stores for Haidilao Hot Pot, a major catering brand, across various cities in China, and several stores for Cainiao — Alibaba's global logistics platform — in Southern China.

For our Museum, Themed Environment, Interior and Retail segment, our large-scale museum project in Oman and design and build contracts for Hollywood movie theme parks in Beijing and Osaka are scheduled to be completed by December 2020. We have also won new contracts with another popular theme park in Hong Kong in Penny's Bay which will run until November 2020.

In Singapore, our contract for the Bird Park and its arrival entrance in the Mandai precinct is expected to be completed in 2020. We will continue to deliver our three-year contract with Rainforest Lumina at the Singapore Zoo which runs until 2021. We are also helping to bring a unique travelling exhibition called STAR WARS Identities to the ArtScience Museum from March to September 2020.

The Group will also continue to expand our Conference and Show Management capabilities. Our major projects will include FUTR World Middle East Summit in Abu Dhabi; Incentive Travel and Conventions, Meetings China in Shanghai; the SG-ANZICS Asia Pacific Intensive Care Forum, the LTA-UITP Singapore International Transport Congress and Exhibition and PetExpo Singapore.

The performance of our acquisitions in the US and UK over the past two years mostly continues on track, with good results overall. We expect that these companies will make greater contributions to the Group beginning in the 2020 financial year.

According to a January 2020 World Bank report on global economic prospects, the global economic outlook for 2020 envisions slow global growth and a high degree of uncertainty. However, the Group remains positive regarding our growth for the 2020 financial year, and will stay firmly focused on delivering the major events and projects scheduled for the year. We will continue to innovate our services, while strengthening our prudent cost control and risk management strategies.

The Group will continue to evolve our main business lines whilst also looking for acquisition opportunities to strengthen our service capabilities and meet changing global trends as we continue to globalise our business. In doing so, we will be able to confidently face a challenging external environment, and continuously enhance our services to our clients, our performance-oriented culture and our profitability.

Conclusion

Finally, I would like to extend my sincere thanks and gratitude to all our clients, shareholders, directors, managers and staff for your support and hard work throughout this financial year. I look forward to the next 50 years with excitement and anticipation.

By Order of the Board

Lawrence Chia Song Huat
CHAIRMAN

Hong Kong, January 21, 2020

Executive Directors

Lawrence Chia Song Huat, aged 59, has worked in the event industry for more than 35 years and has been Chairman of the Group since 1994. He is a graduate of The University of Tennessee, having majored in Finance, and received The University of Tennessee Outstanding International Alumni Award in 2016. In 2006, he received the International Executive in Sport and Entertainment Award from the University of South Carolina in the US. He is currently Vice-Chairman of the Singapore Chamber of Commerce (Hong Kong). Mr Chia is an uncle of Ms Jean Chia Yuan Jiun, a director of the Group. He is also the younger brother of Mr Chia Siong Lim and Mr James Chia Song Heng, and an uncle of Mr Jack Chia Chay Shiun, all members of the Group's senior management.

Jean Chia Yuan Jiun, aged 46, has worked in the exhibition industry for more than 20 years. Ms Chia worked in the corporate finance industry in London, Hong Kong and Singapore before joining the Group. She is currently the President of Southeast Asia of the Group and is responsible for managing businesses and operations in Southeast Asia and India. She is a director of Pico (Thailand) Public Company Limited, which is listed on the Stock Exchange of Thailand. She obtained a Bachelor's degree of Science in Economics from The London School of Economics and Political Science at the University of London. Ms Chia is the niece of Mr Lawrence Chia Song Huat, a director of the Group. She is also the daughter of Mr Chia Siong Lim, the niece of Mr James Chia Song Heng, and the elder sister of Mr Jack Chia Chay Shiun, all members of the Group's senior management.

Albert Mok Pui Keung, aged 55, is currently the Group's Senior Vice President — Finance. Mr Mok joined the Group in 1991. He graduated with a Bachelor's degree in Accounting from the University of Ulster in the UK. Prior to joining the Group, he worked for an international audit firm in Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Independent Non-Executive Directors

Charlie Yucheng Shi, aged 57, has been an independent non-executive director of the Company since 2002. Mr Shi is currently the Managing Director of Omaha Capital Management Limited, which managed growth and venture capital funds focusing on the Greater China region. He holds a Bachelor of Arts degree in Economics from Fudan University in Shanghai, and an MBA from California Lutheran University. Mr Shi also graduated from the Advanced Management Program at Harvard Business School.

Frank Lee Kee Wai, aged 60, has been a non-executive director of the Company since 1992 and is a senior partner at Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. He holds a Bachelor of Law degree from The London School of Economics and Political Science at the University of London and obtained a Master of Laws degree from the University of Cambridge. Mr Lee is a qualified solicitor in Hong Kong, England, Singapore and the Australian Capital Territory. He is also a China-appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. Mr Lee is also currently an independent non-executive director of Vision Values Holdings Limited and Mongolia Energy Corporation Ltd.

Gregory Robert Scott Crichton, aged 68, has been an independent non-executive director of the Company since 1998. He has held numerous directorships in various entities and countries including American International Assurance Co., Ltd. (AIA) and continues to work in the insurance industry. He served as President Commissioner of an Indonesian life insurance company and was an advisor to a successful Singapore reinsurance start-up, as well as serving on the Inland Revenue Board of Review and other bodies. He is currently a non-executive director and advisor to a major international insurer and sits on a number of related committees; he is also the Managing Director of a Hong Kong-based trust and corporate service provider company. He is a graduate in Law from the University of Sydney and holds a Bachelor of Arts degree from the University of New South Wales. He is admitted as a solicitor of the Supreme Court of Hong Kong and is also a solicitor of the Supreme Court of England and Wales.

James Patrick Cunningham, aged 65, has been an independent non-executive director of the Company since 2004. He holds a Bachelor of Science degree in Business Administration from Adelphi University in New York and has attended advanced management courses at INSEAD in France. Mr Cunningham has spent over 40 years in the apparel and fashion retail industries, and was Senior Vice President and Corporate Officer of the Gap Inc. from 1990 until 2004. Since 2004, Mr Cunningham has been a private investor and independent retail and supply chain consultant and an advisor for various international corporations in Asia, Europe and the US. He also sits on the board of Summerbridge Hong Kong and has been an advisor to the Shinsegae Group in Seoul, Korea for the past 14 years. For over 20 years, he has been an active member of the Young Presidents' Organisation and he is now a YPO Gold International Member.

Senior Management

The Executive Committee is comprised of the Executive Directors and the following persons in senior management of the Group:

Chia Siong Lim
Honorary Chairman of Pico Far East Holdings Limited

aged 73, has worked in the exhibition industry for more than 50 years and is the founder of the Pico Group. Over the years, he has been involved in key investments that laid a strong foundation for the Group to grow into what it is today. He is also Chairman of the Intertrade group, which directs the development of exhibition hall management business. He is the elder brother of Mr Lawrence Chia Song Huat and the father of Ms Jean Chia Yuan Jiun, both directors of the Group. He is also the elder brother of Mr James Chia Song Heng and the father of Mr Jack Chia Chay Shiun, both members of the Group's senior management.

James Chia Song Heng
Group President of Pico

aged 67, is a Founding Director of the Pico Group and has worked in the exhibition industry for more than 45 years. He is the Group President of Pico and has overall responsibility for the Group's business in South Asia. He is also Chairman of Pico (Thailand) Public Company Limited, which is listed on the Stock Exchange of Thailand, and Chairman of the MP International Group, which is engaged in the management of conferences and exhibitions. Mr Chia is the elder brother of Mr Lawrence Chia Song Huat and an uncle of Ms Jean Chia Yuan Jiun, both directors of the Group. He is also the younger brother of Mr Chia Siong Lim and an uncle of Mr Jack Chia Chay Shiun, both members of the Group's senior management.

Jack Chia Chay Shiun
Vice President, Corporate Business Development

aged 43, has worked in the meetings, incentives, conventions and exhibitions (MICE) industry for nearly 20 years. He began at Pico Singapore before taking up a management role in Pico Shanghai for seven years followed by six years at MP International. In early 2018, he took up his current role and is now responsible for global business development for the Group. He graduated with a Bachelor of Science in Entrepreneurship (Cum Laude) from Babson College in Massachusetts in the US. He is the nephew of Mr Lawrence Chia Song Huat and the younger brother of Ms Jean Chia Yuan Jiun, both directors of the Group. He is also the son of Mr Chia Siong Lim and the nephew of Mr James Chia Song Heng, both members of the Group's senior management.

Fareeda Cassumbhoy
Group Chief Digital Officer

aged 48, joined the Group in 2018 as Group Chief Digital Officer and is focused on driving digital transformation across the Group. Ms Cassumbhoy's career began over 25 years ago at WPP, where she honed her expertise in brand strategy. She later became Chief Strategy Officer at Hylink, an agency known for its use of digital media and data technology. Her professional knowledge of data technology and innovative business models have made her a guest speaker and a judge at events put on by numerous business schools and professional bodies, one of the most notable being the Cyber Lions category at the Cannes Lions International Festival of Creativity. Ms Cassumbhoy is a graduate of RMIT University, with a major in business. She also holds a Global EMBA from The University of Southern California's Marshall School of Business, from which she graduated with Beta Gamma Sigma honours.

Danny Ku Yiu Chung
President (China)
Managing Director (World Image Group)

aged 54, joined the Group in 1994 and has nearly 25 years of experience in brand signage and visual identity. He is responsible for the global business development of the Group's visual branding experiences segment and the management of its production facilities in China. He is a member of the Chinese People's Political Consultative Conference Jiading Committee of Shanghai; Vice Chairman of the Federation of Returned Overseas Chinese, Jiading District, Shanghai; Vice Chairman of the Shanghai Hong Kong Association (SHKA); Chairman of the Hong Kong Enterprises Association, Jiading District, Shanghai.

Victor Leung Shing
Senior Vice President — Operations Management (China Region)
Executive Director (Pico Beijing)

aged 52, began his career at Pico Singapore and worked in Beijing for 18 years. His current responsibilities have expanded to oversee operations management for the China region. He graduated from the University of Hong Kong with a Bachelor's degree in Mechanical Engineering.

Anne Li Lai Chun
Executive Director (Pico Hong Kong)

aged 54, joined the Group in 1989 and has 30 years of experience in the exhibition and event industry. She is currently responsible for the operation of Pico Hong Kong. A graduate from the National University of Ireland, she also completed an Executive Education programme in International Business jointly conducted by Stanford University and National University of Singapore.

Lim Chiew Wee
Managing Director (Pico+ Group)
Executive Director (Pico Shanghai and Pico EMEA)

aged 44, joined the Group in 2000 and has nearly 20 years of experience in the marketing industry. He is currently responsible for managing the global operations of the Pico+ Group as well as managing Pico Shanghai and Pico EMEA. He obtained his Bachelor of Science degree in Economics from The London School of Economics and Political Science at the University of London. He has also completed a joint executive program conducted by Harvard Business School, China Europe International Business School and Tsinghua University.

Rita Lui Yuk
Executive Director (South China)

aged 50, joined the Group in 1998. In 2002, she was seconded from Hong Kong to Shenzhen to start up Pico Shenzhen. She is currently responsible for spearheading business development and managing the operations of various entities in the South China region including Pico Shenzhen, Pico Guangzhou and the Bay Area. She holds a Bachelor's degree in Science in Building Technology and Management from Hong Kong Polytechnic University and a Master's degree in Business Administration from Centenary College in New Jersey in the US. She also completed an EMBA course for president-level students in Innovative Leadership at the Yangtze Delta Region Institute of Tsinghua University.

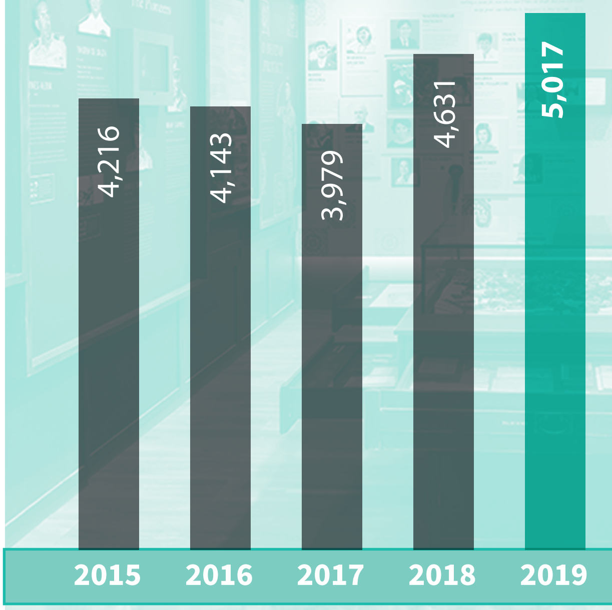
Peter Sng Kia Tuck
Regional Managing Director (Middle East)

aged 61, joined the Group in 1989 and has worked in the exhibition industry for 30 years. He is based in Dubai and is responsible for the businesses and operations in the Middle East. Mr Sng graduated from The University of Kansas with a Bachelor of Science in Business Administration and a Bachelor of General Studies in Psychology.

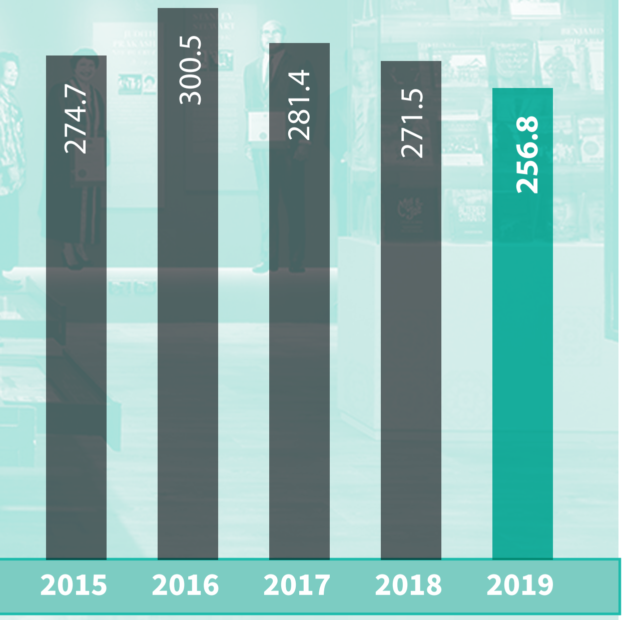
Florence Tan Siew Choo
Regional Managing Director (Japan, Korea and Taiwan)

aged 59, joined the Group in 1979 and has worked in the exhibition and event industry for 40 years. She began at Pico Singapore and was seconded to Hong Kong in 1985 before taking up a management role in Taiwan and subsequently Shanghai. In 2015, she was appointed as the Regional Managing Director and is currently responsible for managing the Group's businesses and operations in Japan, Korea and Taiwan.

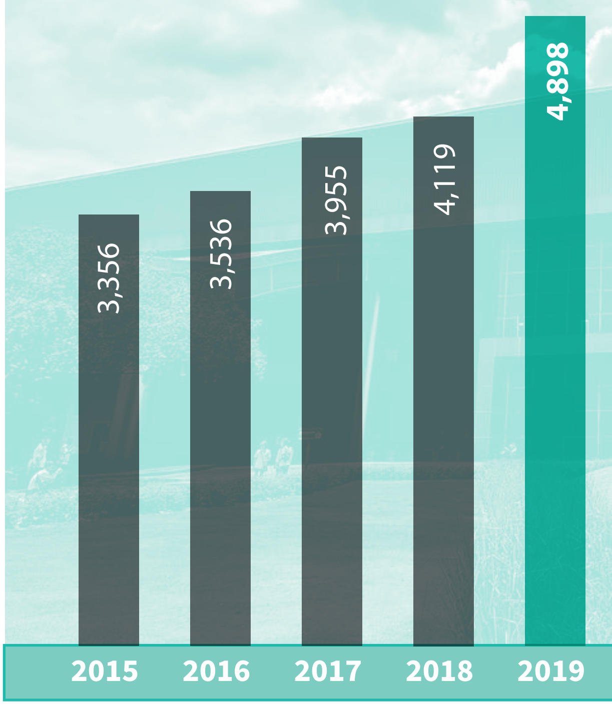
Revenue
HK$5,017 million



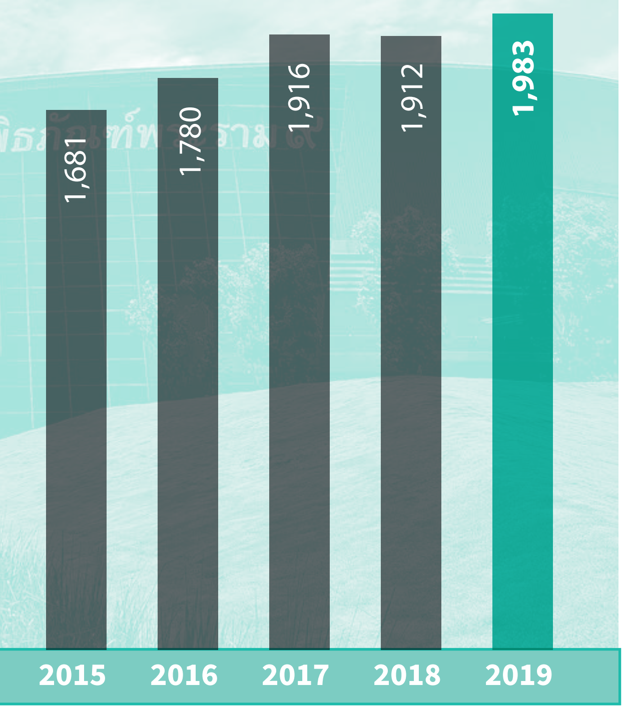
Profit attributable to owners of the Company
HK$256.8 million



Total assets
HK$4,898 million



Equity attributable to owners of the Company
HK$1,983 million



The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are as follows:

Results

	Year ended October 31				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	4,216,164	4,142,724	3,978,751	4,631,350	**5,016,710**
Operating Profit					
Profit from core operations (after finance costs)	338,189	371,879	354,998	362,038	**377,190**
Change in remeasurement of contingent consideration	–	–	(2,686)	(34,432)	**(41,820)**
Amortisation of other intangible assets arising from business combinations	–	–	(1,134)	(16,537)	**(30,982)**
Share of profits of associates	24,085	15,144	17,220	25,532	**14,349**
Share of profits (losses)of joint ventures	(3,846)	(489)	(103)	29	**15**
Profit before tax	358,428	386,534	368,295	336,630	**318,752**
Income tax expense	(77,579)	(82,337)	(71,938)	(63,468)	**(54,619)**
Profit for the year	280,849	304,197	296,357	273,162	**264,133**
Attributable to:					
Owners of the Company	274,695	300,501	281,439	271,508	**256,831**
Non-controlling interests	6,154	3,696	14,918	1,654	**7,302**
Profit for the year	280,849	304,197	296,357	273,162	**264,133**

Assets and Liabilities

	At October 31				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	3,355,852	3,536,411	3,955,458	4,118,979	**4,897,619**
Total liabilities	1,640,241	1,729,896	1,955,596	2,121,398	**2,742,316**
Net assets	1,715,611	1,806,515	1,999,862	1,997,581	**2,155,303**
Equity attributable to owners of the Company	1,681,350	1,780,305	1,916,188	1,912,441	**1,982,875**
Non-controlling interests	34,261	26,210	83,674	85,140	**172,428**
Total equity	1,715,611	1,806,515	1,999,862	1,997,581	**2,155,303**

The Board of Directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance. During the year ended October 31, 2019, the Company has complied with the code provision (the "CG Code") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the year ended October 31, 2019.

The Board

The Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company.

The Board is also responsible for performing the functions set out in the CG Code D3.1. The Board will meet to develop, review and monitor the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and directors.

Five board meetings and one general meeting were held during the financial year ended October 31, 2019. The attendance of the Directors is set out below:

Directors	Attendance at board meetings	Attendance at general meeting
Executive Directors		
Lawrence Chia Song Huat *(Chairman)*	5	1
Jean Chia Yuan Jiun	5	1
Mok Pui Keung	5	1
Independent Non-Executive Directors		
Gregory Robert Scott Crichton	5	1
James Patrick Cunningham	5	—
Frank Lee Kee Wai	5	—
Charlie Yucheng Shi	5	1

Board and committee minutes are recorded in appropriate detail and are kept by the Company Secretary. Draft minutes are circulated to the Directors for comment within reasonable time after each meeting and the final version is open for Directors' inspection.

The Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has received annual confirmations of independence from all existing Independent Non-Executive Directors and considers them independent.

The Directors have fixed term of appointment and subject to re-election at the Annual General Meeting ("AGM") of the Company.

Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to complying with the CG Code A6.5 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended October 31, 2019 to the Company.

The individual training record of each Director received for financial year ended October 31, 2019 is set out below:

Directors	Briefings and updates on the business, operations and corporate governance matters	Attending or participating in seminars/workshops or working in technical committee relevant to the business/directors' duties
Executive Directors		
Lawrence Chia Song Huat *(Chairman)*	✓	✓
Jean Chia Yuan Jiun	✓	✓
Mok Pui Keung	✓	✓
Independent Non-Executive Directors		
Gregory Robert Scott Crichton	✓	✓
James Patrick Cunningham	✓	✓
Frank Lee Kee Wai	✓	✓
Charlie Yucheng Shi	✓	✓

The Chairman and the Chief Executive Officer

Under CG Code A2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

The Company does not have a separate Chairman and Chief Executive Officer. Mr Lawrence Chia Song Huat currently holds both positions. The Board considers that the existing structure can promote the efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

Non-Executive Directors

Under CG Code A4.1, the Non-Executive Directors should be appointed for a specific term, subject to re-election.

The Non-Executive Directors of the Company are appointed for a specific term for two years and subject to retirement by rotation and re-election at AGM of the Company in accordance with the Articles of Association of the Company. The Chairman holds meetings with the Independent Non-Executive Directors without the presence of other directors annually.

Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. The Committee's authorities and duties are set out in written terms of reference.

One Remuneration Committee meeting was held during the financial year ended October 31, 2019. Members of the Remuneration Committee and the attendance of each member are set out below:

Members	Attendance of Meeting
Gregory Robert Scott Crichton *(Chairman)*	1
Lawrence Chia Song Huat	1
James Patrick Cunningham	1

The terms of reference of the Remuneration Committee are aligned with code provision set out in the CG Code. Given below are main duties of the Remuneration Committee:

- to consider the Company's policy and structure of remuneration of the Directors and senior management;
- to determine specific remuneration packages of all Executive Directors and senior management;
- to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- to review compensative arrangements relating to dismissal or removal of Directors for misconduct.

Details of remuneration of the directors and the top five highest paid individuals of the Company and its subsidiaries (the "Group") are set out in Note 11 to the consolidated financial statements.

Audit Committee

The Company has set up an Audit Committee consisting of four Independent Non-Executive Directors.

Three Audit Committee meetings were held during the financial year ended October 31, 2019. Attendance of the Members is set out below:

Members	Attendance of Meeting
Charlie Yucheng Shi *(Chairman)*	3
Gregory Robert Scott Crichton	3
James Patrick Cunningham	3
Frank Lee Kee Wai	3

The terms of reference of Audit Committee are aligned with the code provision set out in the CG Code. Given below are the main duties of the Audit Committee:

– to consider the appointment of external auditor and any questions of resignation or dismissal;

– to discuss with the external auditor before the audit commences, the nature and scope of the audit;

– to review half-year and annual financial statements before submission to the Board;

– to discuss problems and reservations arising from the audit, and any matters the external auditor may wish to discuss;

– to consider and review the Company's system of internal controls; and

– to oversee and review the risk management framework and process through the Internal Audit Department to ensure the appropriateness and effectiveness of the Group's risk management system.

Nomination Committee

The Company has set up a Nomination Committee consisting of one Executive Director and two Independent Non-Executive Directors.

The Company is committed to equality of opportunity in all aspects of its business and the Nomination Committee has reviewed the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

Diversity of board members can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In informing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.

One Nomination Committee meeting was held during the financial year ended October 31, 2019. Attendance of the Members is set out below:

Members	Attendance of Meeting
Lawrence Chia Song Huat *(Chairman)*	1
James Patrick Cunningham	1
Charlie Yucheng Shi	1

The terms of reference of Nomination Committee are aligned with the code provision set out in the CG Code. Given below are the main duties of the Nomination Committee:

- to review the structure, size and composition (including the skills, regional and industry experience, background, race, gender, and other experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to receive nominations from shareholders or directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;

- to assess the independence of Independent Non-Executive Directors and review the Independent Non-Executive Directors' confirmations on their independence; and make disclosure of its review results in the corporate governance report. Where the Board proposes a resolution to elect an individual as an Independent Non-Executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent;

- to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company; and

- to consider other topics and review other documents as may be reasonably requested by the Board from time to time.

A nomination policy of the Company has been adopted by the Board during the year. This policy sets out the process and procedures which govern the nomination of Directors applicable to both new appointments and re-appointments. In evaluating a proposed candidate, including a Director eligible for re-appointment, the Nomination Committee will consider the following factors (which are by no means exhaustive):

- the strategy of the Company;

- the structure, size, composition and needs of the Board and its respective board committees at the time, taking into account succession planning, where appropriate;

- the required skills, which should be complementary to those of the existing Directors;

- the Board Diversity Policy of the Company as adopted/amended by the Board from time to time;

- any information obtained through third party references or background checks;

- any other factors that may be used as reference in assessing the suitability of a proposed candidate, including but not limited to the candidate's reputation for integrity, accomplishments and likely commitment in terms of time and interest;

- the candidate's ability to devote sufficient time to the Board, in particular if a proposed candidate will be holding his/her seventh (or more) listed company directorship; and

- the independence of a candidate proposed to be appointed as an independent non-executive director, in particular by reference to the independence requirements under the Listing Rules.

The Nomination Committee is vested with discretion to take into account such other factors as it may consider appropriate.

The appointment of any proposed candidate to the Board or re-appointment of any existing Director shall be made in accordance with the Company's Articles of Association, the Listing Rules and other applicable rules and regulations.

Auditor's Remuneration

The fees in relation to the audit service provided by RSM Hong Kong and other RSM network firms, the external auditor of the Company, for the year ended October 31, 2019 amounted to HK$2,880,000 (2018: HK$2,880,000) and HK$511,000 (2018: HK$368,000) respectively. There was HK$89,000 (2018: HK$16,000) non-audit service provided by RSM Hong Kong or other RSM network firms for the year ended October 31, 2019.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended April 30, 2019 and for the year ended October 31, 2019, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

Risk Management and Internal Controls

The Board has overall responsibility for the effectiveness of the risk management and internal control system and oversees the risk management and internal control systems through the Internal Audit Department of the Group.

Group Risk Management Committee (the "GRMC") has been established to design, implement and monitor the risk management policy and procedures of the Group. Members of the GRMC are senior management members of the Group. The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that internal control systems of the Group are sound and effective. The Internal Audit Department also carries out review of the process of work carried out by the GMRC.

The Board also reviews annually the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Shareholders Rights

Pursuant to Articles 72 of the Company's Articles of Association, an extraordinary general meetings shall be convened on the written requisition of any two members of the Company deposited at the registered office specifying the objects of the meeting and signed by the shareholders, provided that such shareholders held at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company as at the date of deposit which carries the right of voting at general meetings of the Company. If the Directors do not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting, the shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the shareholders as a result of the failure of the Directors shall be reimbursed to them by the Company.

There are no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2018 Revision) or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards, proposing a person for election as a director, please refer to the procedures available on the websites of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Pico House, 4 Dai Fu Street, Tai Po Industrial Estate, New Territories, Hong Kong.

Investor Relations and Communication with Shareholders

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the AGM of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of AGM.

Our corporate website which contains corporate information, corporate governance practice, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

Dividend Policy

The Board has adopted a dividend policy effective during the year. This policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid, and (ii) the level and form of dividend to be paid to the shareholders of the Company. It is the policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may declare special dividends in addition to such dividends as it considers appropriate.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

– the actual and expected financial performance of the Group;

– Company's reserves available for distribution to shareholders;

– the current and future liquidity position and working capital requirements of the Group;

– expected cash flows for business operations, business strategies and future development needs;

– future expansion plans and cash commitments;

– economic conditions and other internal or external factors that may have an impact on the business, financial performance and/or position of the Group; and

– other factors that the Board deems relevant.

Dividends may be paid in cash or be satisfied wholly or in part by the distribution of specific assets of any kind, including an allotment of shares of the Company. The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate. The Board may recommend the payment of final dividends which are required to be approved by shareholders of the Company in general meetings.

The Directors present their annual report and the audited consolidated financial statements for the year ended October 31, 2019.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 8 to the consolidated financial statements.

Business Review

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended October 31, 2019, and the likely future development in the Group's business can be found in the section headed "Chairman's Statement". Details about the Group's financial risk management are set out in Note 6 to the consolidated financial statements. These discussions form part of this Directors' Report. The Environment, Social and Governance Report of the Company to be published within three months after the publication of this report shall also form part of the business review.

Five Year Financial Summary

A five year financial summary of the results and of the assets and liabilities of the Group is set on page 20.

Results and Appropriations

The results of the Group for the year ended October 31, 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 46 to 47.

The Directors now recommend the payment of a final dividend of HK9.0 cents (2018: HK9.0 cents) per ordinary share. Together with the interim dividend of HK4.5 cents (2018: HK4.5 cents) per ordinary share, total dividend for the year amounted to HK13.5 cents (2018: HK13.5 cents) per ordinary share. The final dividend will be payable on Wednesday, April 15, 2020 to shareholders on the register of members of the Company on Tuesday, April 7, 2020.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 142 to 143 and Note 34 to the consolidated financial statements respectively.

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the retained earnings which amounted to HK$840,073,000 (2018: HK$872,757,000). Under the Companies Law (2018 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Major Customers and Suppliers

The aggregate revenue and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30% of the Group's total revenue and purchases for the year.

None of the Directors, or any of their associates or any substantial shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Equity Linked Agreements

Save as disclosed in the section "Share Options" on pages 31 to 34 contained in this Directors' Report and set out in Note 33 to the consolidated financial statements, no equity linked agreements were entered into during the year or subsisted at the end of the year.

Shares Issued during the Year

Details of shares issued during the year ended October 31, 2019 are set out in Note 32 to the consolidated financial statements.

Principal Properties

Details of principal properties held for investment purposes are set out in Note 16 to the consolidated financial statements.

Donation

Donation made by the Group during the year amounted to HK$226,000.

Directors and Directors' Service Contracts

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr Lawrence Chia Song Huat, *Chairman*
Ms Jean Chia Yuan Jiun
Mr Mok Pui Keung

Independent Non-Executive Directors

Mr Gregory Robert Scott Crichton
Mr James Patrick Cunningham
Mr Frank Lee Kee Wai
Mr Charlie Yucheng Shi

In accordance with Article 116 of the Company's Articles of Association, Messrs Mok Pui Keung, James Patrick Cunningham and Frank Lee Kee Wai retire and being eligible, offer themselves for re-election.

All of the remaining Directors, including the Independent Non-Executive Directors, are subject to retirement by rotation and re-election at the AGM in accordance with the aforementioned Article.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within six months without payment of compensation (other than statutory compensation).

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management are set out in the section "Profile of Directors and Senior Management".

Directors' Material Interests in Transactions, Arrangement and Contracts

No transactions, arrangement and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares

At October 31, 2019, the interests 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 contained in the Listing Rules were as follows:

		Number of shares/underlying shares held			Approximate percentage of shareholding of the Company
Directors		**Personal interests**	**Other interests**	**Total interests**	
Mr Lawrence Chia Song Huat	*(Note a)*	11,422,000	—	11,422,000	0.92%
Ms Jean Chia Yuan Jiun	*(Note b)*	475,000	—	475,000	0.04%
Mr Mok Pui Keung	*(Note c)*	816,000	—	816,000	0.07%
Mr Gregory Robert Scott Crichton		—	—	—	—
Mr James Patrick Cunningham		—	—	—	—
Mr Frank Lee Kee Wai		—	—	—	—
Mr Charlie Yucheng Shi		—	—	—	—

Notes:

(a) The personal interest of Mr Lawrence Chia Song Huat represents the interest in 10,022,000 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".

(b) 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".

(c) The personal interest of Mr Mok Pui Keung represents the interest in 662,000 shares and interest in 154,000 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 AGM 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 Person(s)") 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.

1. The Scheme

The Scheme was adopted on March 22, 2012, details are as follows:

(i) Purpose

It enables the Company to grant options to Eligible Person as an incentive scheme for their contribution to the Group.

(ii) Eligible Person

(a) Any Executive, i.e. any person who is, or who at any time after March 22, 2012 becomes, a full-time or part-time employee or an Executive Director of any Group company and has on the day preceding the offer date been such an employee or Executive Director for at least six months and any other employee or Executive Director of any Group company nominated by the Directors to be an Executive.

(b) Any Non-Executive as approved by the Board.

(iii) The total number of shares available for issue under the Scheme and the percentage of the issued share capital that it represents as at the date of the annual report

(a) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 121,342,410 shares, representing approximately 9.80% of the issued share capital as at October 31, 2019.

(b) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

(iv) Maximum entitlement of each Eligible Person

The maximum number of shares issued and to be issued upon the exercise of options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

(v) Timing for exercise of options

(a) An option may be exercised in accordance with the terms of the Scheme 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.

(b) There is no general requirement on the performance targets that must be achieved before an option can be exercised under the terms of the Scheme. However, at the time of offer of an option, the Directors may, on a case by case basis, make such offer subject to such conditions in relation to performance targets to be achieved as the Directors may determine in their absolute discretion.

(vi) The minimum period for which an option must be held before it can be exercised

An option may be exercised at any time in whole or in part during the option period.

(vii) Basis for determination of exercise price

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:

(a) 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 an Eligible Person, which must be a business day;

(b) 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; or

(c) the nominal value of the shares on the offer date.

(viii) Life of the scheme

The Scheme will remain in force for a period of 10 years commencing on March 22, 2012, which was the date of adoption of the Scheme.

2. Outstanding options

Details of outstanding options over new shares of the Company at the beginning and at the 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 October 31, 2019
Category 1: Directors						
Mr Lawrence Chia Song Huat						
	(Notes b, g)	1,600,000	—	(1,600,000)	—	—
	(Note d)	1,400,000	—	—	—	1,400,000
Ms Jean Chia Yuan Jiun						
	(Note d)	475,000	—	—	—	475,000
Mr Mok Pui Keung						
	(Notes a, g)	28,000	—	(28,000)	—	—
	(Notes b, g)	42,000	—	(42,000)	—	—
	(Notes c, g)	50,000	—	(50,000)	—	—
	(Note d)	46,000	—	—	—	46,000
	(Note e)	30,000	—	—	—	30,000
	(Note f)	—	78,000	—	—	78,000
Total Directors		3,671,000	78,000	(1,720,000)	—	2,029,000
Category 2: Employees						
	(Notes a, g)	290,000	—	(240,000)	(50,000)	—
	(Notes b, g)	974,000	—	(836,000)	—	138,000
	(Notes c, g)	302,000	—	(18,000)	—	284,000
	(Note d)	1,657,000	—	—	(8,000)	1,649,000
	(Note e)	406,000	—	—	(24,000)	382,000
	(Note f)	—	764,000	—	(66,000)	698,000
Total employees		3,629,000	764,000	(1,094,000)	(148,000)	3,151,000
Total all categories		7,300,000	842,000	(2,814,000)	(148,000)	5,180,000

Notes:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) The exercise price is HK$2.606. The option period during which the options may be exercised is the period from May 17, 2019 to May 16, 2024. The date of grant was May 16, 2019 and the closing price of share immediately before the date of grant was HK$2.570.

(g) The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK$2.918.

3. Valuation of share options

(i) The fair values of the share options granted in the current year measured as at date of grant ranged from HK$0.407 to HK$0.408 per option.

(ii) 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 life of share options** Year(s)	**Expected volatility** %	**Weighted average share price** HK$	**Risk-free rate** %	**Annual dividend yield** %
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	3.350	5.00	27.00	3.350	2.430	4.96
May 16, 2019	2.606	5.00	26.00	2.606	1.700	4.90

(iii) 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. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

(iv) The Group recognised the total expenses of HK$314,000 for year ended October 31, 2019 (2018: HK$767,000) in relation to share options granted by the Company.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, at no time during the year 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 year.

Apart from the share option schemes of the Company as disclosed on pages 31 to 34, at no time during the year was the Company, its subsidiary or its fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emolument Policy

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in Note 33 to the consolidated financial statements.

Connected Transactions

During the year October 31, 2019, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are acquired to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Substantial Shareholders

At October 31, 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

Name of Shareholders	Number of shares/ underlying share held	Percentage of issued share capital
Pine Asset Management Limited	462,167,186	37.33%
FMR LLC	122,489,610	9.89%
APG Asset Management N.V. *(Note)*	74,422,000	6.01%
APG Groep N.V. *(Note)*	74,422,000	6.01%
APG Investments Asia Limited *(Note)*	74,422,000	6.01%
Stichting Depositary APG Emerging Markets Equity Pool *(Note)*	74,422,000	6.01%
Stichting Pensioenfonds ABP *(Note)*	74,422,000	6.01%

Note: These shares are held by Stichting Depositary 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 of 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 October 31, 2019.

Compliance with Laws and Regulations

As far as the directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Environmental Policies

Pico Group is committed to promoting awareness and decisions that contribute to achieving environmentally sustainable development. We will comply fully with all applicable environmental laws and regulations. We will use fuel, water and other natural resources efficiently and conservatively. We recognise this to be a continuous process of improvement and we seek to actively look for environmental friendly options and carry out environmental friendly practices whenever appropriate and possible.

Key Relationships with the Community, Employees, Customers and Suppliers and Others

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the reporting period, our staff continuously pursue training and career development through our talent acceleration programme on top of mandatory training on anti-corruption, safety and health awareness. They also work within motivating remuneration and reward schemes and are provided with a smoke-free, healthy and safe working environment.

Pico and its employees engage with local communities where we operate such as participation in charitable programmes. This serves as the foundation to character development of Pico's employees.

Customers' feedback and advice could be taking into account via customer communication channel.

Pico uses suppliers that reflect its values and commitment. Pico has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards. Appropriate steps to be taken to ensure that our partners and suppliers do not employ child labour or abuse human rights.

Competing Business

None of the Directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year under review.

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

During the year ended October 31, 2019, no claims were made against the Directors.

Purchase, Sale or Redemption of Listed Securities

During the year ended October 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

Independent Non-Executive Directors

Confirmation of independence pursuant to the independence guidelines under the Listing Rules has been received from each of the Independent Non-Executive Directors of the Company and the Company considers all existing Independent Non-Executive Directors as independent.

Auditor

The consolidated financial statements have been audited by RSM Hong Kong who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lawrence Chia Song Huat
CHAIRMAN

Hong Kong, January 21, 2020

RSM

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To the Shareholders of Pico Far East Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Pico Far East Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 171, which comprise the consolidated statement of financial position as at October 31, 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at October 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment of trade debtors and contract assets

2. Revenue from construction contracts and contract assets/contract liabilities

3. Accounting for acquisitions

4. Goodwill and other intangible assets impairment assessment

5. Fair value of contingent consideration

Key Audit Matter	How our audit address the Key Audit Matter
1. Impairment of trade debtors and contract assets	
Refer to notes 5, 6, 24 and 26 to the consolidated financial statements The Group has trade debtors and contract assets with aggregate values of HK$1,222,861,000 and HK$437,668,000 before the loss allowance for trade debtors of HK$73,928,000 and contract assets of HK$601,000 respectively as at October 31, 2019. The Group generally allows a credit period ranged from 30 to 90 days to its customers. During the year, impairment loss on trade debtors and contract assets based on management's estimate of the lifetime expected credit losses of HK$22,186,000 and HK$12,000 respectively was charged to profit or loss. The loss allowance is estimated by taking into account the credit loss experience, aging of trade debtors, customers' repayment history and financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. Management concluded that there is adequate loss allowance in respect of the trade debtors and contract assets. This conclusion required significant management judgement in assessing the recoverability of trade debtors and contract assets and estimating the amount of expected credit losses.	Our procedures included: – Assessing the grouping of trade debtors and contract assets by considering the nature of the debtors and credit risk characteristics; – Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; – Assessing the appropriateness of the impairment loss methodology, testing the calculation of the historical loss rates and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions with the assistance of our internal valuation experts; – Testing the ageing of trade debtors on a sample basis; and – Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade debtors and contract assets outstanding at the reporting date.

Key Audit Matter	How our audit address the Key Audit Matter
2. Revenue from construction contracts and contract assets/contract liabilities Refer to notes 5, 6 and 24 to the consolidated financial statements The Group provided construction service for museum, themed environment and interior renovation and exhibition and event marketing services. The Group recognised revenue from construction contracts of HK$1,157,175,000 for the year ended October 31, 2019. As at October 31, 2019, the Group recorded contract assets and contract liabilities for construction contracts of HK$144,970,000 and HK$24,617,000 respectively. Revenue from the construction contracts is recognised progressively over time. The Group measures progress towards satisfaction of its performance obligation using an input method based on the proportion of the actual costs incurred relative to the estimated total contract costs. In the early stages of a contract, the Group is generally not able to measure the outcome of its performance obligation but expects to recover the contract costs incurred. Revenue is recognised to the extent of those costs until such time that the Group can reliably measure the outcome of the performance obligation. The determination of contract revenues requires significant management judgement and estimation.	Our procedures included: – Evaluating the estimation of revenue and profit recognised on construction contracts, on a sample basis, by: • agreeing the contract sum to signed contracts; • understanding from management and project managers about how the percentage of completion was determined; • agreeing total budgeted costs to approved budgets; • obtaining an understanding from management and project managers how the approved budgets were determined; • challenging the reasonableness of key management judgements in preparing the budgets; and • challenging management's assessment of the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts. – Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and – Checking the calculation of the contract assets/contract liabilities.

Key Audit Matter	How our audit address the Key Audit Matter
3. Accounting for acquisitions	
Refer to notes 5 and 38 to the consolidated financial statements The identification and determination of the fair value of intangible assets arising from the acquisition of FUTR World Limited ("FUTR"), Local Projects, LLC ("Local Projects") and Infinity Marketing Team, LLC ("Infinity") and the estimation of the fair value of the consideration given involves complex accounting considerations. Management engaged an independent professional valuer to assist in assessing the fair values of intangible assets and consideration given. HK$183,873,000 of intangible assets including trade name, show rights, marketing related intangible assets, customer relationships and non-competition agreements and goodwill of HK$200,093,000 have been recognised on acquisition date. The intangible assets identification and the determination of the respective fair values requires management judgement in respect of estimates of future cash flows and associated discount rates. The consideration given includes shares in a subsidiary with fair value of HK$39,220,000 for Local Projects and contingent consideration with fair value of HK$54,137,000 and HK$9,487,000 for Local Projects and Infinity respectively. As at October 31, 2019, the fair value of the contingent consideration of the Group was HK$134,263,000. The fair values of shares in a subsidiary and contingent consideration are estimated by the management with assistance of the independent professional valuers. The appropriateness of these valuations is dependent on determination of certain key assumptions including discount rate, growth rates and profit margins that require an exercise of management judgement.	Our procedures included: – Evaluating the competence, independence and integrity of the external valuers; – Assessing the appropriateness of the valuation methodologies used by the external valuers; – Considering the appropriateness of the multiples selected from the market comparables, the royalty rates, discount rates, growth rates and useful economic lives for determining the value of the intangible assets, the value of shares in subsidiary and the value of contingent consideration with the assistance of our internal valuation specialists; – Understanding the future prospects of the business of FUTR, Local Projects and Infinity; – Assessing the appropriateness of the assumptions used in the cash flow projections used in the valuations; and – Reviewing the adequacy of disclosures in respect of the acquisition of these subsidiaries in note 38.

Key Audit Matter	How our audit address the Key Audit Matter
4. Goodwill and other intangible assets impairment assessment	
Refer to notes 5 and 19 to the consolidated financial statements As at October 31, 2019 the Group has goodwill of HK$340,365,000 and other intangible assets of HK$282,568,000 including "Trade name", "Show rights", "Marketing related intangible assets", "Customer relationship" and "Non-competition agreements" mainly arising from the acquisitions of subsidiaries since 2016. For the purpose of impairment testing, the goodwill and other intangible assets are allocated to the specific cash-generating unit ("CGU") and tested for impairment at least annually. The recoverable amount of the CGU was based on the calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement. An impairment loss on goodwill of HK$24,796,000 was made during the year and no material impairment on other intangible assets.	Our procedures included: – Evaluating the competence, capability and objectivity of the independent external valuer; – Assessing the integrity of the valuation models; – Assessing the reasonableness of management's key assumptions based on the current operating environment and our knowledge of the business and industry; – Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; – Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and – Considering the potential impact of reasonable possible downside changes in the key assumptions.
5. Fair value of contingent consideration	
Refer to notes 5 and 31 to the consolidated financial statements The consideration for the acquisition of several subsidiaries includes contingent consideration measured at fair value on initial recognition on date of acquisition and at each subsequent reporting date. The fair values of the contingent consideration amounting to HK$134,263,000 as at October 31,2019 were estimated by management with reference to valuations performed by independent valuers. The change in fair value of HK$41,820,000 was recognised in profit or loss for the year. The valuation of contingent consideration involves significant management judgements and estimates including probability of different scenarios and profit adjustment under different scenarios.	Our procedures included: – Evaluating the competence, capability and objectivity of the independent external valuer; – Assessing the appropriateness of the valuation methods applied; – Assessing the reasonableness of management's key assumptions based on the current operating environment and our knowledge of the business and industry; and – Assessing the appropriateness of the financial information, market data and the discount rates used with the assistance of our internal valuation specialists.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is WONG Poh Weng.

RSM Hong Kong
Certified Public Accountants

Hong Kong, January 21, 2020

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	**5,016,710**	4,631,350
Cost of sales		**(3,491,469)**	(3,215,245)
Gross profit		**1,525,241**	1,416,105
Other income	9	**177,775**	86,862
Distribution costs		**(659,278)**	(589,828)
Administrative expenses		**(612,020)**	(534,813)
Impairment losses for trade and other debtors		**(12,706)**	(7,754)
Other operating expenses		**(29,533)**	(4,467)
Profit from core operations		**389,479**	366,105
Change in remeasurement of contingent consideration		**(41,820)**	(34,432)
Amortisation of other intangible assets arising from business combinations		**(30,982)**	(16,537)
Profit from operations		**316,677**	315,136
Finance costs	10	**(12,289)**	(4,067)
		304,388	311,069
Share of profits of associates		**14,349**	25,532
Share of profits of joint ventures		**15**	29
Profit before tax		**318,752**	336,630
Income tax expense	12	**(54,619)**	(63,468)
Profit for the year	13	**264,133**	273,162
Attributable to:			
Owners of the Company		**256,831**	271,508
Non-controlling interests		**7,302**	1,654
		264,133	273,162
EARNINGS PER SHARE	15		
Basic		**20.76 cents**	22.01 cents
Diluted		**20.76 cents**	21.98 cents

	2019 HK$'000	2018 HK$'000
Profit for the year	**264,133**	273,162
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(774)**	(56,168)
Share of other comprehensive income of associates	**3,623**	(1,610)
Reserve reclassified to profit or loss on dissolution and disposal of subsidiaries	**122**	(814)
Cash flow hedges		
Loss arising during the year	**(11,721)**	–
Other comprehensive income for the year, net of tax	**(8,750)**	(58,592)
Total comprehensive income for the year	**255,383**	214,570
Attributable to:		
Owners of the Company	**248,166**	215,839
Non-controlling interests	**7,217**	(1,269)
	255,383	214,570

Consolidated Statement of Financial Position

	Note	2019 HK$'000	2018 HK$'000
Non-current Assets			
Investment properties	16	**142,590**	146,749
Property, plant and equipment	17	**702,517**	711,473
Prepaid land lease payments	18	**80,996**	85,055
Intangible assets	19	**622,933**	292,006
Interests in joint ventures	20	**565**	562
Interests in associates	21	**150,664**	158,958
Available-for-sale financial assets	22	**–**	1,324
Financial assets at fair value through other comprehensive income ("FVTOCI")	22	**3,842**	–
Deferred tax assets	36	**1,691**	1,686
Loan due from an associate	27	**9,223**	9,206
		1,715,021	1,407,019
Current Assets			
Inventories	23	**38,422**	64,138
Contract work in progress	24	**–**	51,941
Contract assets	24	**437,067**	–
Derivative financial assets	25	**6,496**	–
Debtors, deposits and prepayments	26	**1,381,122**	1,688,254
Amounts due from associates	27	**20,275**	22,062
Amounts due from joint ventures	27	**137**	–
Current tax assets		**4,736**	1,806
Pledged bank deposits	28	**15,822**	12,711
Bank and cash balances	28	**1,278,521**	871,048
		3,182,598	2,711,960
Current Liabilities			
Payments received on account		**–**	193,094
Contract work in progress	24	**–**	26,620
Contract liabilities	24	**86,656**	–
Creditors and accrued charges	29	**1,788,167**	1,480,674
Amounts due to associates	27	**5,381**	6,862
Amounts due to joint ventures	27	**736**	5,942
Current tax liabilities		**37,033**	42,993
Borrowings	30	**257,902**	92,906
Derivative financial liabilities	25	**12,832**	–
Contingent consideration	31	**21,259**	63,827
		2,209,966	1,912,918
Net Current Assets		**972,632**	799,042
Total Assets Less Current Liabilities		**2,687,653**	2,206,061

At October 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current Liabilities			
Borrowings	30	**354,153**	15,882
Contingent consideration	31	**113,004**	146,759
Deferred tax liabilities	36	**65,193**	45,839
		532,350	208,480
NET ASSETS		**2,155,303**	1,997,581
Capital and Reserves			
Share capital	32	**61,901**	61,760
Reserves		**1,920,974**	1,850,681
Equity attributable to owners of the Company		**1,982,875**	1,912,441
Non-controlling interests		**172,428**	85,140
TOTAL EQUITY		**2,155,303**	1,997,581

The consolidated financial statements on pages 46 to 171 were approved by the Board of Directors on January 21, 2020 and are signed on its behalf by:

LAWRENCE CHIA SONG HUAT
DIRECTOR

MOK PUI KEUNG
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended October 31, 2019

	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	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 year	–	–	–	–	–	–	–	–	(55,669)	271,508	215,839	(1,269)	214,570
Shares issued at premium	249	10,315	–	–	–	–	–	–	–	–	10,564	–	10,564
Exercise of equity-settled share-based payments	–	1,895	–	–	(1,895)	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	767	–	–	–	–	–	767	–	767
Transfer	–	61	–	4	(61)	–	2,546	–	–	(2,550)	–	–	–
Dissolution of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(2,987)	(2,987)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	21	21
Issuance of shares to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	15,996	15,996
Purchase of non-controlling interests	–	–	–	–	–	–	–	–	–	(2,439)	(2,439)	1,070	(1,369)
2017 final and special dividends	–	–	–	–	–	–	–	–	–	(172,896)	(172,896)	–	(172,896)
2018 interim dividend	–	–	–	–	–	–	–	–	–	(55,582)	(55,582)	–	(55,582)
Dividend distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(11,365)	(11,365)
At October 31, 2018	61,760	768,871	854	(11,745)	3,434	(419,083)	27,696	3,740	(20,500)	1,497,414	1,912,441	85,140	1,997,581
Representing:													
2018 final dividend proposed										111,168			
Others										1,386,246			
Retained earnings at October 31, 2018										1,497,414			

Consolidated Statement of Changes in Equity

For the Year Ended October 31, 2019

	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	Financial assets at FVTOCI reserve HK$'000	Cash flow hedging reserve HK$'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	61,760	768,871	854	(11,745)	3,434	(419,083)	27,696	3,740	-	-	(20,500)	1,497,414	1,912,441	85,140	1,997,581
Adjustments on initial application of HKFRS 9 *(Note 3)*	-	-	-	-	-	-	-	-	(6,625)	-	-	(10,962)	(17,587)	(1,534)	(19,121)
At November 1, 2018 (Restated)	61,760	768,871	854	(11,745)	3,434	(419,083)	27,696	3,740	(6,625)	-	(20,500)	1,486,452	1,894,854	83,606	1,978,460
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	(11,721)	3,265	256,622	248,166	7,217	255,383
Shares issued at premium *(Note 32)*	141	6,504	-	-	-	-	-	-	-	-	-	-	6,645	-	6,645
Exercise of equity-settled share-based payments	-	1,157	-	-	(1,157)	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	314	-	-	-	-	-	-	-	314	-	314
Transfer	-	64	-	-	(64)	-	1,076	-	-	-	-	(1,076)	-	-	-
Disposal of subsidiaries *(Note 38)*	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,036)	(2,036)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	6,677	6,677
Issuance of shares to non-controlling interests *(Notes 31, 38)*	-	-	-	-	-	-	-	-	-	-	-	-	-	54,120	54,120
Acquisition of subsidiaries *(Note 38)*	-	-	-	-	-	-	-	-	-	-	-	-	-	38,317	38,317
Purchase of non-controlling interests *(Note 38)*	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,802)	(9,802)
2018 final dividend	-	-	-	-	-	-	-	-	-	-	-	(111,394)	(111,394)	-	(111,394)
2019 interim dividend	-	-	-	-	-	-	-	-	-	-	-	(55,710)	(55,710)	-	(55,710)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,671)	(5,671)
At October 31, 2019	**61,901**	**776,596**	**854**	**(11,745)**	**2,527**	**(419,083)**	**28,772**	**3,740**	**(6,625)**	**(11,721)**	**(17,235)**	**1,574,894**	**1,982,875**	**172,428**	**2,155,303**
Representing:															
2019 final dividend proposed												111,421			
Others												1,463,473			
Retained earnings at October 31, 2019												**1,574,894**			

Consolidated Statement of Cash Flows

	Note	2019 HK$'000	2018 HK$'000
Cash Flows from Operating Activities			
Cash flows from operations	*37*	**423,502**	199,009
Interest paid		**(12,289)**	(4,067)
Income taxes paid		**(64,253)**	(80,436)
Net Cash Generated from Operating Activities		**346,960**	114,506
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(38,383)**	(121,485)
Purchase of investment property		**–**	(1,597)
Purchase of available-for-sale financial assets		**–**	(830)
Purchase of financial assets at FVTOCI		**(2,561)**	–
Proceeds on disposal of prepaid land lease and property, plant and equipment		**966**	13,781
Settlement of consideration payable for acquisition of a subsidiary		**(59,543)**	(3,952)
Increase in pledged bank deposits		**(3,111)**	(7,764)
Decrease (Increase) in non-pledged bank deposits with more than three months to maturity		**730**	(1,397)
Purchase of other intangible assets		**(3,967)**	–
Investment in associates		**–**	(4,184)
Repayment from an associate		**–**	272
Acquisition of subsidiaries	*38*	**(200,300)**	(16,424)
Disposal of subsidiaries	*38*	**(130)**	(1,233)
Net cash outflow upon dissolution of subsidiaries	*38*	**(394)**	(2,689)
Disposal of associates		**–**	623
Proceeds from disposal of other intangible assets		**7,861**	–
Interest received		**6,461**	5,908
Dividend income from available-for-sale financial assets		**–**	4
Dividend income from financial assets at FVTOCI		**4**	–
Dividends received from associates		**17,960**	14,143
Net Cash Used in Investing Activities		**(274,407)**	(126,824)

	Note	**2019 HK$'000**	2018 HK$'000
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares		**6,645**	10,564
Short-term bank loans raised		**99,797**	67,412
Long-term bank loans raised		**408,000**	–
Repayment of long-term bank loans		**(5,533)**	(39,969)
Dividends paid to non-controlling interests		**(5,671)**	(11,365)
Dividends paid to owners of the Company		**(167,104)**	(228,478)
Purchase of remaining shareholding from non-controlling interests	*38*	**(10,012)**	(1,369)
Capital contribution from non-controlling interests		**6,677**	21
Net Cash Generated from (Used in) Financing Activities		**332,799**	(203,184)
Net Increase (Decrease) in Cash and Cash Equivalents		**405,352**	(215,502)
Cash and Cash Equivalents at Beginning of Year		**863,937**	1,093,898
Effect of foreign exchange rate changes		**2,851**	(14,459)
Cash and Cash Equivalents at End of Year		**1,272,140**	863,937
Analysis of the Balances of Cash and Cash Equivalents			
Bank and cash balances	*28*	**1,272,140**	863,937

1. General Information

Pico Far East Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in Notes 45, 46 and 47 to the consolidated financial statements respectively.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after November 1, 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

– HKFRS 9 Financial Instruments; and

– HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

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.

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 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 financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. 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.

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:

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

(ii) Measurement (Continued)

- 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 the consolidated income statement.

- 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 the consolidated income statement.

- 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 in the consolidated income statement as applicable. Impairment losses (reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(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 debtors.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

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:

	Note	HK$'000
Reclassification of non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	*(a)*	6,580
Increase in impairment losses for:		
– debtors and contract assets	*(b)*	(19,076)
– loan due from an associate	*(b)*	–
– amounts due from associates	*(b)*	–
Related tax		–
Adjustment to retained earnings from adoption of HKFRS 9 on November 1, 2018		(12,496)
Attributable to:		
Owners of the Company		(10,962)
Non-controlling interests		(1,534)
		(12,496)

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

The following table 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	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** HK$'000	**Carrying amount under HKFRS 9** HK$'000
Equity investments	*(a)*	Available-for-sale	FVTOCI	1,324	1,279
Debtors	*(b)*	Loans and receivables	Amortised cost	1,442,301	1,424,706
Loan due from an associate	*(b)*	Loans and receivables	Amortised cost	9,206	9,206
Amounts due from associates	*(b)*	Loans and receivables	Amortised cost	22,062	22,062

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

	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 non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI *(Note a)*	(6,625)	6,580
Opening balance as at November 1, 2018 – HKFRS 9	(6,625)	1,503,994

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

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

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.

Notes:

(a) 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, investment 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 and impairment loss of HK$6,580,000 was reclassified from retained earnings to 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.

(b) Debtors, loan due from an associate and amounts due from associates that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$17,595,000 in the allowance for impairment of these debtors was recognised in opening retained earnings as at November 1, 2018 on transition to HKFRS 9.

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:

	Note	HK$'000
Impairment allowance as at October 31, 2018 under HKAS 39		71,335
Additional impairment recognised as at November 1, 2018 on:		
– debtors, deposits and prepayments	*(b)*	17,595
– loan due from an associate	*(b)*	–
– amounts due from associates	*(b)*	–
– contract assets		1,481
Impairment allowance as at November 1, 2018 under HKFRS 9		90,411

Impairment losses/reversal of impairment losses related to debtors and contract assets are presented separately in the consolidated income statement. As a result, the Group reclassified allowance written back on bad and doubtful debts amounting to HK$3,947,000 and allowance for bad and doubtful debts amounting to HK$11,701,000, recognised under HKAS 39, from "other income" and "administrative expenses" respectively to "impairment losses for trade and other debtors" in profit or loss for the year ended October 31, 2018.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

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 resulted in the following changes to the Group's accounting policies.

The Group is principally engaged in the exhibition and event marketing services; visual branding experiences; museum, themed environment, interior and retail; conference and show management; and their related business.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from construction and short-term contracts under museum, themed environment, interior and retail; exhibition and event marketing services and conference and show management (see the accounting policy for revenue recognition in Note 4 to the consolidated financial statements). However, the timing of revenue recognition for visual branding experiences is affected as follows:

Revenue from visual branding experiences is recognised when the customer takes possession of and accepts the brand signage. If the delivery of brand signage is a partial fulfilment of a contract with a series of delivery, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. A receivable is recognised by the Group when the brand signages are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Set out below is the impact of the adoption of HKFRS 15 on the Group.

There is no impact on the Group's opening retained earnings as at November 1, 2018.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

Application of new and revised HKFRSs (Continued)

HKFRS 15 Revenue from contracts with customers (Continued)

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended October 31, 2019, by comparing the amounts reported under HKFRS 15 in the consolidated statement of financial position 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 year ended October 31, 2019 instead of HKFRS 15. This table shows only those line items impacted by the adoption of HKFRS 15:

		Amounts reported in accordance with HKFRS 15 HK$'000	Hypothetical amounts under HKASs 11 and 18 HK$'000	Estimated impact of adoption of HKFRS 15 HK$'000
At October 31, 2019				
Consolidated statement of financial position (extract)				
Current Assets				
Debtors, deposits and prepayments	*(Note)*	**1,381,122**	**1,816,888**	**(435,766)**
Contract work in progress	*(Note)*	**–**	**17,714**	**(17,714)**
Contract assets	*(Note)*	**277,630**	**–**	**277,630**
Capitalised contract costs	*(Note)*	**159,437**	**–**	**159,437**
Current Liabilities				
Payments received on account	*(Note)*	**–**	**86,656**	**(86,656)**
Contract work in progress	*(Note)*	**–**	**3,256**	**(3,256)**
Contract liabilities	*(Note)*	**86,656**	**–**	**86,656**

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

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 statement of financial position under "Trade debtors" and "Prepayments and deposits" (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 HKFRS15:

Contract assets and capitalised contract costs are 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" and "Prepayments and deposits" 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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning November 1, 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	January 1, 2019
HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to HKFRSs 2015 -2017 Cycle	January 1, 2019
Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures	January 1, 2019
Revised Conceptual Framework for Financial Reporting	January 1, 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in Note 41 to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its rented premises amounted to HK$219,223,000 as at October 31, 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) – Int 23 uncertainty over income tax treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair values).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to October 31. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. Summary of Significant Accounting Policies (Continued)

Consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. Summary of Significant Accounting Policies (Continued)

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated income statement and statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

4. Summary of Significant Accounting Policies (Continued)

Joint arrangements (Continued)

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated income statement and consolidated statement of comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Other intangible assets

Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's computer software development is recognised only if all of the following conditions are met:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– management intends to complete the intangible asset and use or sell it;

– there is ability to use or sell the intangible asset;

– it can be demonstrated how the intangible asset will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– the expenditure attributable to the intangible asset during its development can be reliably measured.

4. Summary of Significant Accounting Policies (Continued)

Other intangible assets (Continued)

Internally-generated intangible assets (Continued)

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired separately

Intangible assets, other than goodwill, identified on business combinations are capitalised at their fair values. They represent mainly show rights, marketing related intangible assets, customer relationship, non-competition agreements, trade name and club membership. They are measured at cost less accumulated amortisation and impairment losses. Intangible assets arising from business combinations with definite useful lives are amortised on a straight-line basis over their estimated useful lives ranging from five to ten years. Intangible asset with indefinite useful life is not amortised.

(i) Show rights

The show rights are measured at purchase cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of ten years.

(ii) Marketing related intangible assets

Marketing related intangible assets are measured at purchase cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of five years.

(iii) Customer relationship

Customer relationship is measured at purchase cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives ranging from five to ten years.

(iv) Non-competition agreements

Non-competition agreements are measured at purchase cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives ranging from five to six years.

(v) Trade name

Trade name with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the trade name has suffered an impairment loss.

(vi) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

Club membership with expiry dates is stated at cost less accumulated amortisation and impairment loss. Amortisation is calculated on a straight-line basis over their estimated useful lives ranging from twenty-five to twenty-seven years.

4. Summary of Significant Accounting Policies (Continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual value over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Freehold land	Nil
Freehold buildings	1% - 2%
Land and buildings	2% - 5% or over the terms of the relevant leases
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Tools, machinery, factory equipment and fittings	20% - 33⅓%
Motor vehicles	20%
Operating supplies	20% - 33⅓%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Property under development represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Operating supplies represent system materials, furniture and equipment used in exhibition construction.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. Summary of Significant Accounting Policies (Continued)

Leases

The Group as lessee

(i) Operating Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease obligations. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating Leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. Summary of Significant Accounting Policies (Continued)

Contract related assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in the accounting policy for impairment of financial assets and contract assets in Note 4 to the consolidated financial statements and are reclassified to debtors when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest rate method.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

Policy prior to November 1, 2018

In the comparative period, contract balances were recorded for construction and short-term contracts at the net amount of costs incurred plus recognised profits less recognised losses and progress billings. These net balances were presented as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability). Progress billings not yet paid by the customers were included under "Trade debtors" (included in debtors, deposits and prepayments). Amounts received before the related work was performed were presented as "Payments received on account". These balances have been reclassified as on November 1, 2018 as shown in Note 3 to the consolidated financial statements.

4. Summary of Significant Accounting Policies (Continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest rate method.

- FVTOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest rate method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

(ii) Equity Investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

Policy prior to November 1, 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

Trade and other debtors

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Debtors are stated at amortised cost using the effective interest method less allowance for credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

4. Summary of Significant Accounting Policies (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Trade and other creditors

Trade and other creditors are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Under the hedge accounting policy, the Group applies a qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

– there is an economic relationship between the hedged item and the hedging instrument;

– the effect of credit risk does not dominate the value changes that result from that economic relationship; and

– the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

4. Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other income” or “administrative expenses” line items.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedging reserve is reclassified immediately to profit or loss.

Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from construction and short-term 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.

4. Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

(i) Revenue from construction and short-term contracts (Continued)

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.

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.

(ii) Revenue from visual branding experiences

Revenue from visual branding experiences is recognised when the customer takes possession of and accepts the brand signage. If the delivery of brand signage is a partial fulfilment of a contract with a series of delivery, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. A debtor is recognised by the Group when the brand signages are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(iii) Revenue from exhibition and event marketing services

Revenue from exhibition and event marketing services is recognised when exhibition booths or other decoration facilities are delivered to the customer on show open date and are accepted by the customer. A debtor is recognised by the Group when exhibition booths or other decoration facilities are delivered to the customer on show open date as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4. Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

(iv) Revenue from conference and show management

Revenue from conference and show management is recognised when the shows, exhibitions or events open. A debtor is recognised by the Group when the shows, exhibitions or events open as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(v) Interest income is recognised as it accrues using the effective interest rate method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(vi) Dividend income is recognised when the shareholders' rights to receive payment are established.

(vii) Rental income is recognised on a straight-line basis over the lease term.

(viii) Management service income is recognised when the service is rendered.

Policy prior to November 1, 2018

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from short-term contracts is recognised on completion of the contracts.

Revenue from long-term contracts is recognised under the percentage of completion method, measured by reference to the percentage of contracts costs incurred to date to the estimated total contracts costs for each contract or surveys of work performed. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable.

Revenue from sales of products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease terms.

Management service income is recognised when the service is rendered.

4. Summary of Significant Accounting Policies (Continued)

Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

The Group contributed to defined contribution retirement schemes. Contributions to retirement benefit schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Summary of Significant Accounting Policies (Continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated income statement to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade debtors and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets and contracts assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

– the financial instrument has a low risk of default;

– the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

– adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets and contracts assets (Continued)

Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that debtors that meet either of the following criteria are generally not recoverable,

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets and contracts assets (Continued)

Write-off Policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the financial assets at FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Policy prior to November 1, 2018

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

4. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets and contracts assets (Continued)

Policy prior to November 1, 2018 (Continued)

In addition, for trade debtors that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on debtors, etc.

Only for trade debtors, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade debtors) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial assets would have been had the impairment not been recognised at the date the impairment is reversed.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment properties portfolios and concluded that the Group's investment properties located in the People's Republic of China (the "PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. However, in determining the Group's deferred tax for the investment properties other than located in the PRC, the Directors have adopted the presumption that investment properties measured using fair value model are recovered through sale.

Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

As explained in Note 3 to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment for debtors and contract assets

Prior to the adoption of HKFRS 9 on November 1, 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that debtors, deposits and prepayments and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of debtors, deposits and prepayments and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at October 31, 2018, the carrying amount of debtors and contract assets is HK$1,442,301,000 and nil (net of allowance for bad and doubtful debts of HK$71,276,000 and nil) respectively.

Since the adoption of HKFRS 9 on November 1, 2018, the management of the Group estimates the amount of impairment loss for ECL on debtors, deposits and prepayments and contract assets based on the credit risk of debtors, deposits and prepayments and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at October 31, 2019, the carrying amount of debtors and contract assets is HK$1,252,226,000 and HK$437,067,000 (net of allowance for bad and doubtful debts of HK$86,868,000 and HK$601,000) respectively.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. The carrying amount of property, plant and equipment as at October 31, 2019 was HK$702,517,000 (2018: HK$711,473,000).

Fair value of investment properties

The Group appointed independent professional valuers to assess the fair value of the investment properties. In determining the fair value, the valuers have utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions. The carrying amount of investment properties as at October 31, 2019 was HK$142,590,000 (2018: HK$146,749,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

Revenue and profit recognition

As explained in the accounting policy for revenue recognition in Note 4 to the consolidated financial statements, certain projects revenue from construction and short-term contracts under museum, themed environment, interior and retail and under exhibition and event marketing services are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in Note 24 to the consolidated financial statements do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

In the comparative period, the contract assets arising from construction contracts were included in "Gross amounts due from customers for contract work".

During the year, HK$1,157,175,000 (2018: HK$116,147,000) of revenue from construction and short-term contracts under museum, themed environment, interior and retail and exhibition and event marketing services was recognised.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$54,619,000 (2018: HK$63,468,000) of income tax was charged to profit or loss.

Fair value measurements on acquisition of FUTR World Limited, Local Projects, LLC and Infinity Marketing Team, LLC

As stated in Note 38 to the consolidated financial statements, the Group was required to determine the fair value of identifiable assets acquired and liabilities in FUTR World Limited ("FUTR"), Local Projects, LLC ("Local Projects") and Infinity Marketing Team, LLC ("Infinity") in accordance with HKFRS 3 "Business Combination" on acquisition date. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price and the fair value of shares in a subsidiary issued as part of the consideration paid. The intangible assets identification and the valuation process for intangible assets and shares requires significant judgement by management in respect of estimates of future cash flows and associated discount rates to ensure the valuation techniques and inputs used are reasonable and supportable. Where there are any changes on inputs of valuation, a change on the goodwill may arise.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of contingent consideration

As disclosed in Note 31 to the consolidated financial statements, the fair values of the contingent consideration in relation to the acquisitions of Seed Communications LLC d/b/a Sub Rosa ("Sub Rosa"), Camron Public Relations Limited ("Camron PR"), Local Projects and Infinity at the date of acquisition were determined using the income approach which is based on the profit forecast of Sub Rosa, Camron PR, Local Projects and Infinity. While the fair values of the contingent consideration at the end of the reporting period were determined using the income approach which is based on the profit forecast of Sub Rosa, Camron PR, Local Projects and Infinity, application of profit forecast or management accounts requires the Group to estimate whether the earnings before interest and taxes (EBIT) for the year ending 2021, the earnings before interest, taxes, depreciation and amortisation (EBITDA) for the years ending 2020 and 2021, the EBITDA for the years ending 2020, 2021 and 2022 from March 4, 2019 and the EBITDA for the year ending 2019 *(Note 38)*, respectively, are expected to be or have been met.

As at October 31, 2019, the carrying amounts of the contingent consideration in relation to the acquisitions of Sub Rosa, Camron PR, Local Projects and Infinity are HK$134,263,000 (2018: HK$210,586,000) in total.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$340,365,000 as at October 31, 2019 (2018: HK$164,864,000) after an impairment loss of HK$24,796,000 (2018: nil) was recognised during the year. Details of the impairment testing are provided in Note 19 to the consolidated financial statements.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of Group entities, including Hong Kong dollars, Renminbi ("RMB"), Singapore dollars ("SG dollars") and United States dollars ("US dollars"), but certain business transactions, assets and liabilities are denominated in currencies other than their functional currencies such as Euro, Great Britain pound ("GBP") and United Arab Emirates dirhams. During the year, the Group entered into foreign currency forward contracts to hedge the foreign currency risk arising from an exposition project. The Group currently has a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by senior management of the Company, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

At October 31, 2019, if the SG dollars had weakened or strengthened 10 per cent against the US dollars, Euro and GBP with all other variables held constant, consolidated profit after tax for the year would have been HK$6,688,000 (2018: HK$1,991,000), HK$1,484,000 (2018: HK$1,763,000) and HK$539,000 (2018: nil) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors, bank and cash balances and the derivative financial assets denominated in US dollars, Euro and GBP respectively.

At October 31, 2019, if the United Arab Emirates dirhams had weakened or strengthened 10 per cent against the US dollars with all other variables held constant, consolidated profit after tax for the year would have been HK$166,000 (2018: HK$533,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors denominated in US dollars.

At October 31, 2019, if the GBP had weakened or strengthened 10 per cent against the Euro and US dollars with all other variables held constant, consolidated profit after tax for the year would have been HK$253,000 (2018: HK$160,000) and HK$3,051,000 (2018: HK$2,089,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors, bank and cash balances, contingent consideration and the derivative instruments denominated in Euro and US dollars respectively.

At October 31, 2019, if the Hong Kong dollars had weakened or strengthened 10 per cent against the RMB, Euro, GBP and Peruvian Sol with all other variables held constant, consolidated profit after tax for the year would have been HK$1,765,000 (2018: HK$312,000), HK$1,293,000 (2018: HK$286,000), HK$3,550,000 (2018: HK$3,494,000) and HK$1,193,000 (2018: nil) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors and bank and cash balances denominated in RMB, Euro, GBP and Peruvian Sol respectively.

6. Financial Risk Management (Continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade debtors) and from its financing activities, including deposits with banks, foreign exchange transactions and financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in Note 42 to the consolidated financial statements, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 42 to the consolidated financial statements.

Trade debtors and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 to 90 days from the date of billing. Debtors with balances that are more than one month past due are requested to settle all outstanding balances and the management will consider further action to be taken. The Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and contract assets as at October 31, 2019:

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Contract assets			
Current (not past due)	**0.00 - 4.25**	**437,668**	**(601)**
Trade debtors			
Current (not past due)	**0.00 - 4.25**	**460,509**	**(2,969)**
Less than 91 days past due	**0.00 - 4.25**	**516,647**	**(2,805)**
91-180 days past due	**0.00 - 8.70**	**127,758**	**(2,115)**
181-365 days past due	**0.01 - 17.86**	**39,524**	**(2,824)**
More than 1 year past due	**0.00 - 100.00**	**78,423**	**(63,215)**
		1,222,861	**(73,928)**

6. Financial Risk Management (Continued)

Credit risk (Continued)

Trade debtors and contract assets (Continued)

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the debtors.

Prior to November 1, 2018

Prior to November 1, 2018, an impairment loss was recognised only when there was objective evidence of impairment. At October 31, 2018, trade debtors of HK$57,310,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018 HK$'000
Neither past due nor impaired	749,159
Less than 91 days	364,007
91 – 180 days	186,615
181 – 365 days	79,605
More than 1 year	33,735
	663,962

Debtors that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Debtors that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

6. Financial Risk Management (Continued)

Credit risk (Continued)

Trade debtors and contract assets (Continued)

Movement in the loss allowance account in respect of trade debtors and contract assets during the year is as follows:

	2019 HK$'000	2018 HK$'000
At October 31 under HKAS 39	**57,310**	53,086
Impact on initial application of HKFRS 9 *(Note 3)*	**19,076**	–
Adjusted balance at November 1	**76,386**	53,086
Impairment losses recognised for the year	**22,198**	11,127
Acquisition of subsidiaries	**375**	–
Amounts written off during the year	**(9,165)**	(3,849)
Allowance written back	**(15,112)**	(1,378)
Dissolution of subsidiaries	**(326)**	–
Exchange adjustments	**173**	(1,676)
At October 31	**74,529**	57,310

The following significant changes in the gross carrying amounts of trade debtors and contract assets contributed to the increase in the loss allowance during 2019:

- origination of new trade debtors net of those settled resulted in an increase in loss allowance of HK$2,969,000;
- increase in days past due over 365 days resulted in an increase in loss allowance of HK$2,599,000; and
- a write-off of trade debtors with a gross carrying amount of HK$9,165,000 resulted in a decrease in loss allowance of HK$9,165,000.

Financial assets at FVTOCI and amortised cost

All of the Group's investments at FVTOCI and amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for instruments to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include other debtors, loan due from an associate, amounts due from associates and amounts due from joint ventures.

6. Financial Risk Management (Continued)

Credit risk (Continued)

Financial assets at FVTOCI and amortised cost (Continued)

The loss allowance for financial assets at amortised cost as at October 31, 2018 reconciles to the opening loss allowance on November 1, 2018 and to the closing allowance as at October 31, 2019 as follows:

	Other debtors HK$'000	Loan due from an associate HK$'000	Amounts due from associates HK$'000	Amounts due from joint ventures HK$'000	Total HK$'000
At October 31, 2018 under HKAS 39	13,966	–	59	5,366	19,391
Impact on initial application of HKFRS 9 *(Note 3)*	–	–	–	–	–
Adjusted balance at November 1, 2018	13,966	–	59	5,366	19,391
Impairment losses recognised for the year	**574**	**–**	**–**	**36**	**610**
Amounts written off during the year	**(1,457)**	**–**	**–**	**–**	**(1,457)**
Allowance written back	**(32)**	**–**	**–**	**–**	**(32)**
Exchange adjustments	**(111)**	**–**	**1**	**91**	**(19)**
At October 31, 2019	**12,940**	**–**	**60**	**5,493**	**18,493**

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	No fixed term of repayment HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At October 31, 2019				
Borrowings	**23,979**	**238,040**	**94,411**	**285,675**
Creditors and accrued charges	**–**	**1,788,167**	**–**	**–**
Amounts due to associates	**5,381**	**–**	**–**	**–**
Amounts due to joint ventures	**736**	**–**	**–**	**–**
Contingent consideration	**–**	**21,259**	**35,473**	**77,531**
	30,096	**2,047,466**	**129,884**	**363,206**
At October 31, 2018				
Borrowings	24,711	69,151	3,250	14,191
Creditors and accrued charges	–	1,480,674	–	–
Amounts due to associates	6,862	–	–	–
Amounts due to joint ventures	5,942	–	–	–
Contingent consideration	–	63,827	110,793	35,966
	37,515	1,613,652	114,043	50,157

6. Financial Risk Management (Continued)

Liquidity risk (Continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrative by the yield curves at the end of the reporting period.

	No fixed term of repayment HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At October 31, 2019				
Derivative – net settlement				
Forward exchange forward contracts	–	12,832	–	–
	–	12,832	–	–

Interest rate risk

The Group's exposure to cash flow and fair value interest rate risk arises from its borrowings, bank deposits and cash at banks. The borrowings, bank deposits and cash at banks bear interests at variable rates varied with the prevailing market condition.

As the Group has no significant interest-bearing assets and liabilities, except for borrowings, bank deposits and cash at banks, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At October 31, 2019, if interest rates at that date had been 20 basis points or 200 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$737,000 (2018: HK$66,000) and HK$7,372,000 (2018: HK$657,000) higher or lower respectively, arising mainly as a result of lower or higher interest expenses on floating rate borrowings.

At October 31, 2019, if interest rates on cash at banks at that date had been 20 basis points or 200 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$655,000 (2018: HK$448,000) and HK$6,551,000 (2018: HK$4,480,000) lower or higher respectively, arising mainly as a result of lower or higher interest income on interest-bearing cash at banks.

6. Financial Risk Management (Continued)

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
At October 31		
Financial assets:		
Available-for-sale financial assets	–	1,324
Derivative financial assets	6,496	–
Financial assets at FVTOCI		
Equity instruments	3,842	–
Loans and receivables (including cash and cash equivalents)	–	2,432,018
Financial assets measured at amortised cost	2,637,031	–
Financial liabilities:		
Financial liabilities at amortised cost	2,406,339	1,602,266
Derivative financial liabilities	12,832	–
Contingent consideration	134,263	210,586

Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Values Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosure of fair value measurements use a fair value hierarchy that categorises into three levels based on the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfer between Level 1, Level 2 and Level 3 during the year.

7. Fair Values Measurements (Continued)

Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At October 31, 2019				
Recurring fair value measurements:				
Financial assets				
Derivatives				
Derivatives financial assets	–	–	6,496	6,496
Investment properties				
Commercial – Hong Kong	–	–	15,890	15,890
Commercial – the PRC	–	–	126,700	126,700
	–	–	142,590	142,590
Total	–	–	149,086	149,086
Recurring fair value measurements:				
Financial liabilities				
Derivatives				
Foreign currency forward contracts under hedge accounting	–	11,721	–	11,721
Foreign currency forward contracts	–	1,111	–	1,111
	–	12,832	–	12,832
Contingent consideration	–	–	134,263	134,263
Total	–	12,832	134,263	147,095

7. Fair Values Measurements (Continued)

Disclosures of level in fair value hierarchy (Continued)

	Fair value measurements using:			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At October 31, 2018				
Recurring fair value measurements:				
Investment properties				
Commercial – Hong Kong	–	–	16,520	16,520
Commercial – the PRC	–	–	130,229	130,229
Total	–	–	146,749	146,749
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration	–	–	210,586	210,586

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of subsidiaries. Included in profit or loss for the year was HK$41,820,000 (2018: HK$34,432,000) relating to the change in remeasurement of contingent consideration.

Reconciliation of assets and liabilities measured at fair value based on Level 3

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy are set out in Notes 16, 25 and 31 to the consolidated financial statements.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at October 31, 2019

The Group's investment properties were valued at October 31, 2019 by LCH (Asia-Pacific) Surveyors Limited, contingent consideration were valued at October 31, 2019 by Rockport Investment Partners LLC and Holthouse Carlin & Van Trigt, LLP and derivative financial assets were valued at October 31, 2019 by Fair Value Advisory Sdn Bhd. These companies are independent and registered professional firms of surveyors or valuers not connected with the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations and purchase price allocation of acquisitions respectively.

For level 3 fair value measurements, the Group's accounting department includes a team that reviews the valuations performed by the independent valuers for financial report purposes. The team holds discussions with the independent valuers on the valuation assumptions and valuation results at least once a year and reports directly to the Group's chief financial officer.

At October 31, 2019, the investment properties were revalued based on valuations performed by the independent valuer, using the investment method of the income approach, by taking into account the rental income from the existing tenancy agreement and revisionary property interest. For assessing the reversionary potential of the properties, the valuer based on the prevailing market information within the subject buildings and other comparable properties.

7. Fair Values Measurements (Continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at October 31, 2019 (Continued)

At October 31, 2019, the contingent consideration was estimated by the independent valuers 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.

At October 31, 2019, the derivative financial assets was estimated by the independent valuer based on the expected cash inflows that are estimated based on the terms of the shares sale and purchase agreement and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Level 2 fair value measurements

				Fair value			
				2019 HK$'000		2018 HK$'000	
Description	**Valuation technique**	**Inputs**	**Range**	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives	Market approach	Forward exchange rate Contract sum	US$1: GBP1.2062 to US$1: GBP 1.2284 GBP3,000,000 to GBP7,000,000				
Foreign currency forward contracts under hedge accounting				**-**	**11,721**	–	–
Foreign currency forward contracts				**-**	**1,111**	–	–

7. Fair Values Measurements (Continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at October 31, 2019 (Continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value 2019 HK$'000	Fair value 2018 HK$'000
					Assets / (Liabilities)	
Derivatives financial assets	Discounted cash flows	Discount rate	26.80%	Decrease	**6,496**	–
		Growth rate	4.00%	Increase		
Commercial units located in Hong Kong	Investment method - income approach	Terms and reversionary yield	2.50% to 3.00% (2018: 3.00%)	Decrease	**15,890**	16,520
		Prevailing market price	from HK$4,693 to HK$5,804 per square foot (2018: HK$4,930 to HK$5,880 per square foot)	Increase		
Commercial units located in the PRC	Investment method - income approach	Terms and reversionary yield	1.50% to 4.60% (2018: 2.00% to 5.50%)	Decrease	**126,700**	130,229
		Prevailing market price	RMB32,800 to RMB69,000 per square meter (2018: RMB31,900 to RMB71,900 per square meter)	Increase		
Contingent consideration	Income approach	Discount rate	16.00% to 19.50% (2018: 19.00% to 30.00%)	Increase	**(134,263)**	(210,586)
		Probability – adjusted EBITDA/EBIT	US$1,140,000 to US$4,639,000; GBP1,200,000 to GBP1,560,000 (2018: US$873,000 to US$5,340,000; GBP994,000 to GBP1,473,000)	Decrease		

During the two years, there were no changes to the valuation techniques used.

8. Revenue and Segment Information

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Exhibition and event marketing services	**3,888,329**	3,817,857
Visual branding experiences	**254,510**	368,036
Museum, themed environment, interior and retail	**729,780**	358,910
Conference and show management	**144,091**	86,547
	5,016,710	4,631,350

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed as below.

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at October 31, 2019 and the expected timing of recognising revenue as follows:

	Exhibition and event marketing services HK$'000	Visual branding experiences HK$'000	Museum, themed environment, interior and retail HK$'000	Conference and show management HK$'000
Within one year	**102,322**	–	**(21,111)**	–
More than one year but not more than two years	–	–	–	–
More than two years	–	–	–	–
	102,322	–	**(21,111)**	–

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for installation services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for installation services that had an original expected duration of one year or less.

8. Revenue and Segment Information (Continued)

Segment information

The Group is principally engaged in the exhibition and event marketing services; visual branding experiences; museum, themed environment, interior and retail; conference and show management; and their related business.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. During the year, the management also reviewed the assets, liabilities and share of profits or losses of associates and joint ventures separately.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment profits or losses do not include income tax expense, change in remeasurement of contingent consideration, amortisation of other intangible assets arising from business combinations and income and expenses arising from corporate teams. Segment assets do not include certain properties and motor vehicles which are used as corporate assets, goodwill and other intangible assets arising from business combinations, current tax assets and deferred tax assets. Segment liabilities do not include contingent consideration, current tax liabilities and deferred tax liabilities.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

8. Revenue and Segment Information (Continued)

Segment information (Continued)

Information about reportable segment revenue, profit or loss, assets and liabilities

	Exhibition and event marketing services HK$'000	Visual branding experiences HK$'000	Museum, themed environment, interior and retail HK$'000	Conference and show management HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended October 31, 2019						
Revenue from external customers	3,888,329	254,510	729,780	144,091		5,016,710
Timing of revenue recognition						
At a point in time	3,232,411	254,510	228,523	144,091		3,859,535
Over time	655,918	–	501,257	–		1,157,175
Inter-segment revenue	265,771	805	123,298	–		389,874
Segment profits	320,511	23,904	71,477	25,366		441,258
Share of profits of associates	4,488	–	–	9,861	–	14,349
Share of profits of joint ventures	15	–	–	–	–	15
Interest income	5,135	579	454	293	–	6,461
Interest expenses	11,172	–	–	1,117	–	12,289
Depreciation and amortisation	34,138	739	1,752	1,653	45,893	84,175
Other material non-cash items:						
Impairment on club membership	48	–	–	–	–	48
Impairment on goodwill	24,796	–	–	–	–	24,796
Impairment on interests in an associate	–	–	–	8,771	–	8,771
Allowance for bad and doubtful debts	18,892	–	8,276	682	–	27,850
Additions to segment non-current assets	33,383	843	2,142	13,142	379,041	428,551
At October 31, 2019						
Segment assets	2,970,421	294,442	551,993	185,538		4,002,394
Segment liabilities	1,929,382	130,511	378,011	67,923		2,505,827
Interests in associates	121,361	–	–	29,303	–	150,664
Interests in joint ventures	565	–	–	–	–	565

8. Revenue and Segment Information (Continued)

Segment information (Continued)

Information about reportable segment revenue, profit or loss, assets and liabilities (Continued)

	Exhibition and event marketing services HK$'000	Visual branding experiences HK$'000	Museum, themed environment, interior and retail HK$'000	Conference and show management HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended October 31, 2018						
Revenue from external customers	3,817,857	368,036	358,910	86,547		4,631,350
Inter-segment revenue	305,427	995	95,676	–		402,098
Segment profits	328,055	42,768	30,560	20,112		421,495
Share of profits of associates	14,354	–	–	11,178	–	25,532
Share of profits of joint ventures	29	–	–	–	–	29
Interest income	4,555	786	310	257	–	5,908
Interest expenses	3,290	87	221	469	–	4,067
Depreciation and amortisation	33,587	4,175	3,203	1,067	27,025	69,057
Other material non-cash items:						
Impairment on club membership	8	–	–	–	–	8
Impairment on interests in an associate	4,442	–	–	–	–	4,442
Allowance for bad and doubtful debts	7,615	263	3,818	5	–	11,701
Additions to segment non-current assets	124,495	1,714	4,025	475	107,781	238,490
At October 31, 2018						
Segment assets	2,817,449	344,123	222,830	155,516		3,539,918
Segment liabilities	1,434,736	176,705	144,889	65,650		1,821,980
Interests in associates	122,078	–	–	36,880	–	158,958
Interests in joint ventures	562	–	–	–	–	562

8. Revenue and Segment Information (Continued)

Segment information (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue of reportable segments	**5,406,584**	5,033,448
Elimination of inter-segment revenue	**(389,874)**	(402,098)
Consolidated revenue	**5,016,710**	4,631,350
Profit or loss		
Total profits of reportable segments	**441,258**	421,495
Unallocated amounts:		
Change in remeasurement of contingent consideration	**(41,820)**	(34,432)
Amortisation of other intangible assets arising from business combinations	**(30,982)**	(16,537)
Corporate expenses	**(49,704)**	(33,896)
Consolidated profit before tax	**318,752**	336,630

8. Revenue and Segment Information (Continued)

Segment information (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	2019 HK$'000	2018 HK$'000
Assets		
Total assets of reportable segments	**4,002,394**	3,539,918
Unallocated amounts:		
Corporate motor vehicles	**5,142**	5,131
Properties	**275,929**	283,858
Goodwill and other intangible assets arising from business combinations	**607,727**	286,580
Deferred tax assets	**1,691**	1,686
Current tax assets	**4,736**	1,806
Consolidated total assets	**4,897,619**	4,118,979
Liabilities		
Total liabilities of reportable segments	**2,505,827**	1,821,980
Unallocated amounts:		
Contingent consideration	**134,263**	210,586
Current tax liabilities	**37,033**	42,993
Deferred tax liabilities	**65,193**	45,839
Consolidated total liabilities	**2,742,316**	2,121,398

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

Geographical information

	Revenue		Non-current assets	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Greater China	**2,706,372**	2,736,346	**624,596**	689,387
India, Malaysia, Singapore, the Philippines and Vietnam	**1,037,785**	1,122,706	**276,126**	368,338
Bahrain, Qatar and United Arab Emirates	**631,504**	286,975	**35,550**	36,783
The United Kingdom, the United States and Italy	**451,129**	285,292	**610,290**	8,844
Others	**189,920**	200,031	**2,474**	968
Consolidated total	**5,016,710**	4,631,350	**1,549,036**	1,104,320

In presenting the geographical information, revenue is based on the locations of the customers, and the non-current assets are based on location of assets.

9. Other Income

	2019 **HK$'000**	2018 HK$'000
Included in other income are:		
Dividend income from available-for-sale financial assets	**–**	4
Dividend income from financial assets at FVTOCI	**4**	–
Gain on disposal of property, plant and equipment	**395**	13,697
Interest income	**6,461**	5,908
Rental income	**35,602**	37,106
Income from sale of a show right partially	**7,861**	–
Extinguishment gain *(Note 31)*	**88,248**	–
Gain on bargain purchase *(Note 38)*	**2,268**	–

The gross rental income from investment properties for the year amounted to HK$4,909,000 (2018: HK$6,953,000).

For the year ended October 31, 2018, gain on disposal of property, plant and equipment included compensation of HK$12,651,000, from the local government for compulsory acquisition of an old factory in the PRC for urban renewal and development in year 2017. The final payment was settled in May 2018.

10. Finance Costs

	2019 **HK$'000**	2018 HK$'000
Interest on bank borrowings	**12,289**	4,067

11. Benefit and Interests of Directors' Emoluments and Employees' Benefit Expenses

Benefit and interests of directors

Directors' emoluments

Pursuant to the Listing Rules and the Hong Kong Companies Ordinance, the emoluments of each Director for the year ended October 31, 2019 and 2018 are as follows:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	The Group's contributions to retirement scheme	Estimated rental value for rent-free accommodation provided to directors	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
October 31, 2019							
Executive Directors							
Lawrence Chia Song Huat	**441**	**7,046**	**6,336**	**–**	**18**	**1,052**	**14,893**
Jean Chia Yuan Jiun	**207**	**2,328**	**3,500**	**–**	**99**	**–**	**6,134**
Mok Pui Keung	**207**	**1,576**	**700**	**28**	**98**	**–**	**2,609**
Independent Non-Executive Directors							
Gregory Robert Scott Crichton	**213**	**–**	**–**	**–**	**–**	**–**	**213**
James Patrick Cunningham	**213**	**–**	**–**	**–**	**–**	**–**	**213**
Frank Lee Kee Wai	**213**	**–**	**–**	**–**	**–**	**–**	**213**
Charlie Yucheng Shi	**243**	**–**	**–**	**–**	**–**	**–**	**243**
Total 2019	**1,737**	**10,950**	**10,536**	**28**	**215**	**1,052**	**24,518**
October 31, 2018							
Executive Directors							
Lawrence Chia Song Huat	441	6,806	6,567	230	18	1,032	15,094
Jean Chia Yuan Jiun	207	2,259	3,291	78	101	–	5,936
Mok Pui Keung	207	1,533	500	20	94	–	2,354
Independent Non-Executive Directors							
Gregory Robert Scott Crichton	213	–	–	–	–	–	213
James Patrick Cunningham	213	–	–	–	–	–	213
Frank Lee Kee Wai	213	–	–	–	–	–	213
Charlie Yucheng Shi	243	–	–	–	–	–	243
Total 2018	1,737	10,598	10,358	328	213	1,032	24,266

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil). None of the Directors have waived any emoluments during the year (2018: nil).

11. Benefit and Interests of Directors' Emoluments and Employees' Benefit Expenses (Continued)

Benefit and interests of directors (Continued)

Directors' emoluments (Continued)

The above emoluments include the value of share options granted to certain Directors under the Company's share option scheme as estimated at the date of grant. Further details are disclosed under the section "Share options" in the Directors' Report and in Note 33 to the consolidated financial statements.

Notes:

(a) During the year ended October 31, 2019, no emoluments have been paid by the Group to any of the above Directors in respect of accepting office as a director (2018: nil).

(b) There were nil (2018: nil) emoluments paid or receivable by Directors or past Directors for the loss of office in connection with the management of the affairs of the Company or its subsidiary undertaking.

Neither the chief executive nor any of the Directors waived any emoluments during the year (2018: nil).

Directors' retirement benefits

None of the Directors received or will receive any retirement benefits from defined benefit plan for the year ended October 31, 2019 (2018: nil).

Directors' termination benefits

None of the Directors received or will receive any termination benefits from defined benefit plan for the year ended October 31, 2019 (2018: nil).

Consideration provided to the third parties for making available directors' services

During the year ended October 31, 2019, the Company did not pay consideration to any third parties for making available Directors' services (2018: nil).

Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

At October 31, 2019, there is no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate and connected entities with such Directors (2018: nil).

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company and the director's connect party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended October 31, 2019 (2018: nil).

11. Benefit and Interests of Directors' Emoluments and Employees' Benefit Expenses (Continued)

Employees' benefit expenses

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**854,105**	753,739
Share-based payments	**286**	439
Group's contributions to retirement scheme, net of forfeited contribution of HK$108,000 (2018: HK$108,000)	**81,381**	87,263
	935,772	841,441

Of the five individuals with the highest emoluments in the Group, two (2018: two) were Directors of the Company whose emoluments are included in the proceeding disclosures on directors' emoluments. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**17,056**	16,994
Bonuses	**5,073**	5,858
Share-based payments	**–**	78
Group's contributions to retirement scheme	**93**	107
	22,222	23,037

The emoluments fell within the following bands:

	Number of employees	
	2019	2018
HK$5,000,001 - HK$5,500,000	**1**	–
HK$5,500,001 - HK$6,000,000	**–**	1
HK$6,000,001 - HK$6,500,000	**–**	–
HK$6,500,001 - HK$7,000,000	**–**	–
HK$7,000,001 - HK$7,500,000	**1**	–
HK$7,500,001 - HK$8,000,000	**–**	1
HK$8,000,001 - HK$8,500,000	**–**	–
HK$8,500,001 - HK$9,000,000	**–**	–
HK$9,000,001 - HK$9,500,000	**–**	–
HK$9,500,001 - HK$10,000,000	**1**	1
	3	3

During the year ended October 31, 2019, no emoluments were paid by the Group to any highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil).

12. Income Tax Expense

	2019 HK$'000	2018 HK$'000
The charge comprises:		
Current tax		
Profits tax for the year		
Hong Kong	**830**	1,900
Overseas	**52,788**	66,108
(Over) Under provision in prior years		
Hong Kong	**(986)**	(298)
Overseas	**2,520**	(992)
	55,152	66,718
Deferred tax *(Note 36)*	**(533)**	(3,250)
	54,619	63,468

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profit for the year. A portion of the Group's profit is derived offshore and is not subject to Hong Kong profits tax.

On March 21, 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/19. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2019 HK$'000	2018 HK$'000
Profit before tax (excluding share of results of associates and joint ventures)	**304,388**	311,069
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**50,224**	51,326
Effect of different taxation rates in other countries	**(1,054)**	2,765
Tax effect of income that is not taxable	**(17,373)**	(13,316)
Tax effect of expenses that are not deductible	**12,365**	10,341
Tax effect of utilisation of previously unrecognised tax losses	**(2,322)**	(1,282)
Tax effect of tax losses not recognised	**12,538**	11,841
Deferred taxation on withholding tax arising on undistributed earnings of subsidiaries	**163**	111
Under (Over) provision in prior years	**1,534**	(1,290)
Others	**(1,456)**	2,972
Income tax expense	**54,619**	63,468

13. Profit for the Year

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**6,625**	5,857
Depreciation	**49,340**	49,198
Loss on disposal of property, plant and equipment	**969**	269
Loss on disposal of subsidiaries, net	**–**	287
Loss on disposal of associates	**–**	68
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	**2,410**	2,543
Office premises	**41,088**	31,222
Equipment	**4,324**	3,582
Direct operating expenses of investment properties that generate rental income	**1,296**	3,285
Cost of inventories sold	**178,249**	165,116
Written off of bad debts	**5,042**	–
Allowance for bad and doubtful debts	**22,808**	11,701
Allowance for inventories	**–**	6
Amortisation of intangible assets:		
club membership (included in administrative expenses)	**8**	–
show rights and software (included in administrative expenses)	**1,435**	779
arising from business combinations	**30,982**	16,537
Net exchange loss	**6,372**	–
Impairment on club membership (included in administrative expenses)	**48**	8
Impairment on goodwill (included in other operating expenses)	**24,796**	–
Impairment on interests in an associate (included in administrative expenses)	**8,771**	4,442
Increase in remeasurement of contingent consideration	**41,820**	34,432
Decrease in net fair value of investment properties (included in administrative expenses)	**3,100**	–
and crediting:		
Gain on bargain purchase	**2,268**	–
Gain on disposal of property, plant and equipment	**395**	13,697
Gain on dissolution of subsidiaries, net	**8,099**	1,111
Gain on disposal of subsidiaries, net	**8,107**	–
Net exchange gain	**–**	851
Increase in net fair value of investment properties	**–**	7,092
Allowance written back on bad and doubtful debts	**15,144**	3,947

Due to the settlement of the doubtful debts by the customers that have been impaired previously, it led to the allowance written back recognised in profit or loss.

14. Dividends Paid

	2019 HK$'000	2018 HK$'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
2019 interim dividend paid HK4.5 cents per share (2018: 2018 interim dividend paid HK4.5 cents per share)	**55,710**	55,582
Total	**167,104**	228,478

A final dividend of HK9.0 cents per share for the year ended October 31, 2019 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming AGM.

15. Earnings Per Share

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

	2019 HK$'000	2018 HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share	**256,831**	271,508

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,237,126,455**	1,233,714,564
Effect of dilutive potential ordinary shares in respect of options	**239,294**	1,344,784
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,237,365,749**	1,235,059,348

16. Investment Properties

	2019 **HK$'000**	2018 HK$'000
VALUATION		
At beginning of year	**146,749**	142,201
Additions	**–**	1,597
Exchange adjustments	**(1,059)**	(4,141)
Net (decrease) increase in fair value	**(3,100)**	7,092
At end of year	**142,590**	146,749

The investment properties, situated in Hong Kong and the PRC, were valued by LCH (Asia-Pacific) Surveyors Limited, an independent and registered professional firm of surveyors, at October 31, 2019, using the investment method of the income approach, by taking into account the rental income from the existing tenancy agreements and revisionary property interest. For assessing the reversionary potential of the properties, the valuer based on the prevailing market information within the subject buildings and other comparable properties.

17. Property, Plant and Equipment

	Land and buildings situated in Hong Kong HK$'000	Land and buildings situated outside Hong Kong HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Tools, machinery, factory equipment and fittings HK$'000	Motor vehicles HK$'000	Operating supplies HK$'000	Property under development HK$'000	Total HK$'000
COST									
At November 1, 2017	80,783	620,229	55,531	158,643	89,245	27,996	32,635	25,126	1,090,188
Exchange adjustments	–	(18,793)	(1,831)	(2,262)	(1,830)	(431)	(169)	(38)	(25,354)
Acquisition of a subsidiary	–	–	7,057	2,579	–	–	–	–	9,636
Additions	–	70,727	17,074	11,013	4,634	2,009	2,895	13,133	121,485
Transfer	–	37,110	–	154	–	–	–	(37,264)	–
Disposal	–	–	(925)	(11,706)	(13,300)	(1,983)	(115)	–	(28,029)
Dissolution and disposal of subsidiaries	–	–	–	(165)	–	–	–	–	(165)
At October 31, 2018 and November 1, 2018	80,783	709,273	76,906	158,256	78,749	27,591	35,246	957	1,167,761
Exchange adjustments	–	3,191	58	(210)	215	(148)	126	116	3,348
Acquisition of subsidiaries *(Note 38)*	–	–	–	2,235	–	–	–	–	2,235
Additions	–	6,397	6,554	11,095	1,163	2,424	2,798	7,952	38,383
Transfer	–	–	–	1,113	(187)	–	39	(965)	–
Disposal	–	–	(2,353)	(6,332)	(3,463)	(3,043)	(101)	–	(15,292)
Dissolution and disposal of subsidiaries *(Note 38)*	–	–	–	(601)	–	–	–	–	(601)
At October 31, 2019	**80,783**	**718,861**	**81,165**	**165,556**	**76,477**	**26,824**	**38,108**	**8,060**	**1,195,834**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At November 1, 2017	(23,571)	(130,063)	(43,827)	(129,746)	(67,215)	(21,131)	(27,453)	–	(443,006)
Exchange adjustments	–	3,436	1,315	1,570	1,295	427	135	–	8,178
Provided for the year	(1,214)	(12,954)	(9,513)	(12,734)	(6,599)	(3,706)	(2,478)	–	(49,198)
Transfer	–	–	–	1,321	(1,321)	–	–	–	–
Elimination on disposal	–	–	826	11,485	13,300	1,950	115	–	27,676
Dissolution and disposal of subsidiaries	–	–	–	62	–	–	–	–	62
At October 31, 2018 and November 1, 2018	(24,785)	(139,581)	(51,199)	(128,042)	(60,540)	(22,460)	(29,681)	–	(456,288)
Exchange adjustments	–	(761)	54	28	(82)	191	(120)	–	(690)
Provided for the year	(1,214)	(21,439)	(7,417)	(11,047)	(3,245)	(2,456)	(2,522)	–	(49,340)
Transfer	–	–	–	(57)	57	–	–	–	–
Elimination on disposal	–	–	1,839	5,707	3,062	3,043	101	–	13,752
Dissolution and disposal of subsidiaries *(Note 38)*	–	–	–	601	–	–	–	–	601
Acquisition of subsidiaries *(Note 38)*	–	–	–	(1,352)	–	–	–	–	(1,352)
At October 31, 2019	**(25,999)**	**(161,781)**	**(56,723)**	**(134,162)**	**(60,748)**	**(21,682)**	**(32,222)**	**–**	**(493,317)**
CARRYING AMOUNT									
At October 31, 2019	**54,784**	**557,080**	**24,442**	**31,394**	**15,729**	**5,142**	**5,886**	**8,060**	**702,517**
At October 31, 2018	55,998	569,692	25,707	30,214	18,209	5,131	5,565	957	711,473

17. Property, Plant and Equipment (Continued)

At October 31, 2019, none of property, plant and equipment in respect of assets was held under finance lease obligations (2018: nil).

At October 31, 2019, certain land and buildings situated outside Hong Kong with carrying amount of HK$173,065,000 (2018: HK$178,656,000) were pledged for credit facilities granted to the Group *(Note 39)*.

For land situated in Hong Kong with carrying amount of HK$10,251,000 (2018: HK$10,616,000) as at October 31, 2019 was leased from Hong Kong Science and Technology Parks Corporation for a term up to June 27, 2047.

18. Prepaid Land Lease Payments

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**85,055**	91,156
Exchange adjustments	**(1,649)**	(3,558)
Amortisation	**(2,410)**	(2,543)
At end of year	**80,996**	85,055

19. Intangible Assets

		Other intangible assets							
	Goodwill	Software	Club membership	Trade name	Show rights	Marketing related intangible assets	Customer relationship	Non-competition agreements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST									
At November 1, 2017	94,859	–	5,008	–	17,848	28,861	75,663	1,482	223,721
Exchange adjustments	(165)	–	–	–	(239)	158	415	8	177
Acquisition of a subsidiary	72,949	–	–	–	–	14,439	17,765	619	105,772
At October 31, 2018 and November 1, 2018	167,643	–	5,008	–	17,609	43,458	93,843	2,109	329,670
Exchange adjustments	**224**	**(85)**	**39**	**64**	**174**	**(46)**	**75**	**(2)**	**443**
Additions	**-**	**3,967**	**-**	**-**	**-**	**-**	**-**	**-**	**3,967**
Written off	**-**	**-**	**(47)**	**-**	**-**	**-**	**-**	**-**	**(47)**
Acquisition of subsidiaries *(Note 38)*	**200,093**	**-**	**-**	**22,663**	**7,350**	**14,119**	**138,643**	**1,098**	**383,966**
At October 31, 2019	**367,960**	**3,882**	**5,000**	**22,727**	**25,133**	**57,531**	**232,561**	**3,205**	**717,999**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS									
At November 1, 2017	(2,779)	–	(1,087)	–	(15,493)	(481)	(630)	(25)	(20,495)
Exchange adjustments	–	–	(10)	–	186	(9)	(12)	–	155
Amortisation	–	–	–	–	(779)	(7,126)	(9,058)	(353)	(17,316)
Impairment loss	–	–	(8)	–	–	–	–	–	(8)
At October 31, 2018 and November 1, 2018	(2,779)	–	(1,105)	–	(16,086)	(7,616)	(9,700)	(378)	(37,664)
Exchange adjustments	**(20)**	**1**	**(19)**	**-**	**(109)**	**6**	**8**	**-**	**(133)**
Amortisation	**-**	**(55)**	**(8)**	**-**	**(1,380)**	**(10,566)**	**(19,853)**	**(563)**	**(32,425)**
Impairment loss	**(24,796)**	**-**	**(48)**	**-**	**-**	**-**	**-**	**-**	**(24,844)**
At October 31, 2019	**(27,595)**	**(54)**	**(1,180)**	**-**	**(17,575)**	**(18,176)**	**(29,545)**	**(941)**	**(95,066)**
CARRYING AMOUNT									
At October 31, 2019	**340,365**	**3,828**	**3,820**	**22,727**	**7,558**	**39,355**	**203,016**	**2,264**	**622,933**
At October 31, 2018	164,864	–	3,903	–	1,523	35,842	84,143	1,731	292,006

19. Intangible Assets (Continued)

The remaining amortisation period of the software is nine years.

The remaining amortisation period of the show rights is two to nine years.

The remaining amortisation period of the marketing related intangible assets, customer relationship and non-competition agreements are four to nine years.

Trade name and club membership has indefinite useful life.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2019 HK$'000	2018 HK$'000
Exhibition and event marketing services	**238,062**	159,669
Conference and show management	**5,418**	5,195
Museum, themed environment, interior and retail	**96,885**	–
	340,365	164,864

19. Intangible Assets (Continued)

Impairment test for cash-generating units

Goodwill are allocated to the Group's CGUs identified according to the operating segments as follows:

	Discount rate		Terminal value growth rate	
	2019	2018	**2019**	2018
	%	%	**%**	%
Exhibition and event marketing services	**16.00 – 23.00**	19.00 – 30.00	**3.00**	3.00
Conference and show management	**28.46**	24.57	**0.00**	0.00
Museum, themed environment, interior and retail	**–**	–	**–**	–

Note:

The Group carried out reviews of the recoverable amounts of its other intangible assets and goodwill allocated to the Group's various CGUs, having regard to the market conditions, expectations on market development and popularity of the shows. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method from financial budgets approved by management covering a 5-year period. Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause its carrying amount to exceed its recoverable amount.

At October 31, 2019, before impairment testing, goodwill of HK$86,720,000 was allocated to NOM within the exhibition and event marketing services segment. During the year, the performance of NOM did not meet expectations. Due to the restructuring and transformation of NOM's client base into a well diversified client portfolio, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable of HK$61,904,000 and an impairment loss of HK$24,796,000 recognised on goodwill.

20. Interests in Joint Ventures

	2019 HK$'000	2018 HK$'000
Unlisted investments		
Share of net assets	**565**	562
Less: Impairment loss recognised	**–**	–
	565	562

Particulars of the Group's principal joint venture at October 31, 2019 are set out in Note 47 to the consolidated financial statements.

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method.

	2019 HK$'000	2018 HK$'000
At October 31		
Carrying amount of interests	**565**	562
Year ended October 31		
Profit for the year	**15**	29
Other comprehensive income	**–**	–
Total comprehensive income	**15**	29

The Group has unrecognised loss of HK$850,000 (2018: HK$149,000) for the year ended October 31, 2019. At October 31, 2019, the accumulated losses not recognised were HK$2,928,000 (2018: HK$2,110,000).

At October 31, 2019, the bank and cash balances of the Group's joint venture in the PRC denominated in RMB amounted to HK$1,104,000 (2018: HK$1,482,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. Interests in Associates

	2019 HK$'000	2018 HK$'000
Unlisted/Listed investments		
Share of net assets	**163,605**	163,142
Less: Impairment loss recognised	**(12,941)**	(4,184)
	150,664	158,958
Fair value of listed investment in an associate outside Hong Kong based on quoted market price (Level 1 fair value measurement)	**92,953**	93,841

Particulars of the Group's principal associates at October 31, 2019 are set out in Note 46 to the consolidated financial statements.

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

21. Interests in Associates (Continued)

Name Principal place of business	Xi'an Greenland Pico Int'l Convention and Exhibition Co. Ltd. ("Xi'an Greenland") The PRC		Pico (Thailand) Public Company Limited Thailand	
	2019	2018	**2019**	2018
Percentage of ownership interests/ voting rights held by the Group	**30%/ 30%**	30%/ 30%	**42.4%/ 42.4%**	42.4%/ 42.4%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At October 31				
Non-current assets	**143,760**	153,010	**47,904**	43,336
Current assets	**44,468**	55,343	**196,581**	223,991
Non-current liabilities	**–**	–	**(22,140)**	(12,429)
Current liabilities	**(94,686)**	(110,995)	**(95,922)**	(135,688)
Net assets	**93,542**	97,358	**126,423**	119,210
Group's share of carrying amount of interests	**41,162**	42,307	**53,062**	49,996
Year ended October 31				
Revenue	**34,389**	53,284	**383,287**	490,402
Profit (loss) for the year	**(191)**	1,822	**4,854**	7,463
Other comprehensive income (expense)	**(1,014)**	(4,490)	**12,072**	938
Total comprehensive income (expense)	**(1,205)**	(2,668)	**16,926**	8,401
Dividend received from associates	**–**	–	**6,870**	2,697

Xi'an Greenland is strategic investment of the Group, providing access to hall management for its exhibition business.

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2019 **HK$'000**	2018 HK$'000
At October 31		
Carrying amount of interests	**56,440**	66,655
Year ended October 31		
Profits for the year	**9,686**	16,247
Other comprehensive income (expense)	**1,904**	(1,728)
Total comprehensive income	**11,590**	14,519

21. Interests in Associates (Continued)

The Group has nil unrecognised loss for the year ended October 31, 2019 (2018: HK$202,000). At October 31, 2019, the accumulated losses not recognised were HK$1,491,000 (2018: HK$1,338,000).

At October 31, 2019, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK$36,468,000 (2018: HK$42,312,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. Financial Assets at Fair Value through Other Comprehensive Income (2018: Available-for-sale Financial Assets)

	2019 HK$'000	2018 HK$'000
Equity securities, at fair value, unlisted	**3,842**	–
Equity securities, at cost, unlisted	**–**	7,904
Less: Impairment loss recognised	**–**	(6,580)
	3,842	1,324
Analysed as:		
Current assets	**–**	–
Non-current assets	**3,842**	1,324
	3,842	1,324

Financial assets at FVTOCI (2018: available-for-sale financial assets) are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollars	**–**	45
RMB	**3,732**	1,171
SG dollars	**110**	108
	3,842	1,324

23. Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	**3,353**	2,809
Work in progress	**10,093**	20,959
Finished goods	**24,976**	40,370
	38,422	64,138

24. Contract Related Assets and Contract Liabilities (2018: Contract Work in Progress)

	2018 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	233,641
Less: progress billings	(208,320)
	25,321
Gross amounts due from customers for contract work	51,941
Gross amounts due to customers for contract work	(26,620)
	25,321

Upon the adoption of HKFRS15, amounts previously included as "Gross amounts due from customers for contract work" and "Gross amounts due to customers for contract work" were reclassified to contract assets and contract liabilities respectively.

	October 31, 2019 HK$'000	November 1, 2018 HK$'000 (restated)	October 31, 2018 HK$'000
Contract assets			
Arising from performance under construction and short-term contracts	**278,231**	56,453	–
Arising from fulfilling short-term contracts	**159,437**	150,171	–
Allowance for impairment loss	**(601)**	(1,481)	–
	437,067	205,143	–
Debtors from contracts with customers within the scope of HKFRS 15, which are included in "Debtors, deposits and prepayments"	**49,171**	1,186	–

Amounts relating to contract assets are balances due from customers under construction and short-term contracts that arise when the Group receives payments from customers in line with a series of performance related milestones.

There were no significant changes in the contract assets balances and capitalised contract costs during the reporting period.

The amount of contract assets that is expected to be recovered after more than one year is HK$2,470,000 (2018: HK$1,165,000).

Amounts relating to the capitalised contract costs are the costs incurred that relate directly to existing contracts. Amortisation of HK$122,241,000 was recognised in the profit or loss during the reporting period.

24. Contract Related Assets and Contract Liabilities (2018: Contract Work in Progress) (Continued)

	October 31, 2019 HK$'000	November 1, 2018 HK$'000	October 31, 2018 HK$'000
Contract liabilities			
Billings in advance of performance obligation			
Arising from performance under construction and short-term contracts	**86,656**	181,685	–
	86,656	181,685	–

Contract liabilities relating to installation services/construction contracts are balances due to customers under installation services/construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities

	2019 HK$'000
Balance at November 1, 2018	181,685
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(136,203)**
Increase in contract liabilities as a result of billing in advance of construction activities	**33,606**
Increase in contract liabilities as a result of accruing interest expenses on advances	**11,420**
Other movements	**(4,399)**
Exchange adjustments	**547**
Balance at October 31, 2019	**86,656**

The amount of billings in advance of performance received that is expected to be recognised as income after more than one year is HK$2,000 (2018: HK$664,000).

25. Derivative Financial Assets and Liabilities

	2019 HK$'000	2018 HK$'000
Financial assets		
Option for acquisition of equity interests *(Note a)*	**6,496**	–
Analysed as:		
Current assets	**6,496**	–

	2019 HK$'000	2018 HK$'000
Financial liabilities		
Derivatives under hedge accounting		
Cash flow hedges – foreign currency forward *(Note b)*	**11,721**	–
Foreign currency forward contracts	**1,111**	–
Analysed as:		
Current liabilities	**12,832**	–

Notes:

(a) Option for acquisition of equity interests

Option for acquisition of equity interests is the fair value of the right to purchase the remaining equity in FUTR in which the Group has acquired 51% equity interests on January 7, 2019.

(b) Cash flow hedges

At the end of the reporting period, the Group had the following foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales.

The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

25. Derivative Financial Assets and Liabilities (Continued)

Notes: (Continued)

(b) Cash flow hedges (Continued)

Major terms of these contracts are as follows:

2019

Notional amount	Maturity	Exchange rate
Buy GBP7,000,000	April 28, 2020	US$1: GBP1.2105
Buy GBP3,000,000	July 31, 2020	US$1: GBP1.2062
Buy GBP4,000,000	July 31, 2020	US$1: GBP1.2125
Buy GBP7,000,000	September 3, 2020	US$1: GBP1.2284

During the current year, fair value losses of HK$11,721,000 (2018: nil) have been recognised in other comprehensive income and accumulated in the cash flow hedging reserve and are expected to be reclassified to profit or loss at various dates in the coming twelve months after the end of the reporting period, the period in which sales are expected to occur.

The following table provides a reconciliation of the hedging reserve and shows the effectiveness of the hedging relationships:

	2019 **HK$'000**	2018 HK$'000
At November 1	**–**	–
Effective portion of the cash flow hedges recognised in other comprehensive income	**11,721**	–
At October 31	**11,721**	–
Change in fair value of foreign exchange forward contracts	**11,721**	–
Effective portion of the cash flow hedges recognised in other comprehensive income	**11,721**	–

The Group entered into foreign currency forward contracts to mitigate currency exposure of significant future transactions and cash flows in foreign currency. At the end of the reporting period, the notional amounts of the outstanding foreign exchange forward contracts were GBP21,000,000 (2018: nil).

The derivative financial instruments were measured at fair value based on a valuation statement prepared by Standard Chartered Bank (Hong Kong) Limited on October 31, 2019. Their fair values were determined based on the quoted market prices for equivalent instruments. No derivative financial instrument on October 31, 2018.

The net fair value loss on derivative financial instruments for the year end October 31, 2019 amounted to HK$11,721,000 (2018: nil).

As at October 31, 2019, total financial liabilities at FVTPL of the Group which did not qualify for hedge accounting amounted to HK$1,111,000 (2018: nil).

26. Debtors, Deposits and Prepayments

	2019 HK$'000	2018 HK$'000
Trade debtors	**1,222,861**	1,470,431
Less: allowance for bad and doubtful debts	**(73,928)**	(57,310)
	1,148,933	1,413,121
Other debtors	**116,233**	43,146
Less: allowance for bad and doubtful debts	**(12,940)**	(13,966)
	103,293	29,180
Prepayments and deposits	**128,896**	245,953
	232,189	275,133
	1,381,122	1,688,254

The Group allows a credit period ranged from 30 to 90 days to its customers.

The aging analysis of trade debtors, based on the invoice date, and net of allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Less than 91 days	**843,815**	937,268
91 – 180 days	**184,780**	224,615
181 – 365 days	**97,427**	199,090
More than 1 year	**22,911**	52,148
	1,148,933	1,413,121

26. Debtors, Deposits and Prepayments (Continued)

The carrying amounts of the Group's trade debtors are denominated in the following currencies:

	Hong Kong dollars HK$'000	Euro HK$'000	Malaysian ringgits HK$'000	RMB HK$'000	SG dollars HK$'000	US dollars HK$'000	United Arab Emirates dirhams HK$'000	Other HK$'000	Total HK$'000
At October 31, 2019	**78,734**	**27,556**	**33,403**	**524,769**	**77,163**	**123,354**	**56,184**	**227,770**	**1,148,933**
At October 31, 2018	85,714	24,343	32,685	863,442	179,621	102,230	65,000	60,086	1,413,121

At October 31, 2019, an allowance was made for estimated irrecoverable trade debtors of HK$73,928,000 (2018: HK$57,310,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. Loan due from an Associate/Amounts due from (to) Associates and Joint Ventures

The loan receivable from an associate is unsecured, bears effective interest rate at 8.50% (2018: 8.00% to 8.34%) per annum and is repayable in varying amounts commencing September 30, 2015 till September 30, 2035. The fair value of the loan receivable approximates its carrying value.

The amounts due from (to) associates and joint ventures are unsecured, non-interest bearing, and have no fixed terms of repayment.

At October 31, 2019, the amounts due from associates and joint ventures have been arrived at after deducting impairment loss of HK$60,000 (2018: HK$59,000) and HK$5,493,000 (2018: HK$5,366,000) respectively. No allowance for doubtful amounts due from associates was made for the year (2018: nil). HK$36,000 allowance for doubtful amounts due from joint ventures was made for the year (2018: nil).

28. Pledged Bank Deposits and Bank and Cash Balances

The carrying amounts of the pledged bank deposits and bank and cash balances are denominated in the following currencies:

	Hong Kong dollars HK$'000	Euro HK$'000	Malaysian ringgits HK$'000	RMB *(Note)* HK$'000	SG dollars HK$'000	US dollars HK$'000	United Arab Emirates dirhams HK$'000	Other HK$'000	Total HK$'000
At October 31, 2019									
Cash at bank and on hand	**73,329**	**17,991**	**22,101**	**423,104**	**239,962**	**229,955**	**17,722**	**195,553**	**1,219,717**
Bank deposits	**–**	**–**	**17,084**	**27,345**	**5,969**	**16,838**	**3,115**	**4,275**	**74,626**
	73,329	**17,991**	**39,185**	**450,449**	**245,931**	**246,793**	**20,837**	**199,828**	**1,294,343**
Pledged bank deposits *(Note 39)*	**–**	**–**	**–**	**(1,895)**	**–**	**(10,540)**	**(3,115)**	**(272)**	**(15,822)**
Bank and cash balances	**73,329**	**17,991**	**39,185**	**448,554**	**245,931**	**236,253**	**17,722**	**199,556**	**1,278,521**
Non-pledged bank deposits with more than three months to maturity	**–**	**–**	**–**	**(4,636)**	**–**	**–**	**–**	**(1,745)**	**(6,381)**
Cash and cash equivalents	**73,329**	**17,991**	**39,185**	**443,918**	**245,931**	**236,253**	**17,722**	**197,811**	**1,272,140**
At October 31, 2018									
Cash at bank and on hand	30,612	30,290	25,523	262,991	222,308	168,451	6,717	79,775	826,667
Bank deposits	–	–	20,319	20,811	619	7,266	5,331	2,746	57,092
	30,612	30,290	45,842	283,802	222,927	175,717	12,048	82,521	883,759
Pledged bank deposits	–	–	–	(1,554)	–	(5,619)	(5,331)	(207)	(12,711)
Bank and cash balances	30,612	30,290	45,842	282,248	222,927	170,098	6,717	82,314	871,048
Non-pledged bank deposits with more than three months to maturity	–	–	–	(5,385)	–	–	–	(1,726)	(7,111)
Cash and cash equivalents	30,612	30,290	45,842	276,863	222,927	170,098	6,717	80,588	863,937

The effective interest rates on bank deposits range from 0.00% to 7.00% per annum (2018: 0.30% to 4.00% per annum), these deposits have maturity range from 1 day to 3 years (2018: 7 days to 3 years) and are subject to fair value interest rate risk.

Note: Included in the bank and cash balances of the Group, HK$450,449,000 (2018: HK$283,802,000) were denominated in RMB, which was not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

29. Creditors and Accrued Charges

	2019 HK$'000	2018 HK$'000
Trade creditors	**491,460**	459,795
Accrued charges	**1,281,420**	1,002,512
Other creditors	**15,287**	18,367
	1,788,167	1,480,674

The aging analysis of trade creditors, based on the date of receipt of goods or services, is as follows:

	2019 HK$'000	2018 HK$'000
Less than 91 days	**366,551**	352,135
91 – 180 days	**50,627**	45,420
181 – 365 days	**30,495**	27,425
More than 1 year	**43,787**	34,815
	491,460	459,795

The carrying amounts of the Group's trade creditors are denominated in the following currencies:

	Hong Kong dollars HK$'000	**Euro** HK$'000	**Malaysian ringgits** HK$'000	**RMB** HK$'000	**SG dollars** HK$'000	**US dollars** HK$'000	**United Arab Emirates dirhams** HK$'000	**Other** HK$'000	**Total** HK$'000
At October 31,2019	**56,660**	**4,353**	**17,191**	**286,105**	**37,903**	**36,751**	**24,942**	**27,555**	**491,460**
At October 31,2018	52,626	12,164	10,709	270,848	28,886	27,180	30,418	26,964	459,795

30. Borrowings

	2019 HK$'000	2018 HK$'000
Borrowings comprise the following:		
Short-term bank loans	**168,040**	67,606
Long-term bank loans	**444,015**	41,182
	612,055	108,788
The borrowings are repayable as follows:		
On demand or within one year	**257,902**	92,906
Between two to five years	**354,153**	15,882
	612,055	108,788

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Hong Kong dollars HK$'000	GBP HK$'000	US dollars HK$'000	New Taiwan dollars HK$'000	Others HK$'000	Total HK$'000
At October 31, 2019						
Bank loans	**519,166**	**42,520**	**26,205**	**23,979**	**185**	**612,055**
At October 31, 2018						
Bank loans	20,000	41,875	22,013	24,711	189	108,788

As at October 31, 2019, the Group's bank loans of HK$185,000 (2018: HK$189,000) carry fixed interest rate at 2.00% per annum and expose the Group to fair value interest rate risk. The Group's bank loans of HK$611,870,000 (2018: HK$108,599,000) carry floating interest rates at 1.42% to 4.63% per annum, thus exposing the Group to cash flow interest rate risk.

Bank loans of HK$23,979,000 (2018: HK$24,711,000) are secured by a charge over the Group's certain leasehold land and buildings situated outside Hong Kong *(Note 17)*.

31. Contingent Consideration

	2019 HK$'000	2018 HK$'000
At beginning of year	**210,586**	121,817
Exchange alignment	**(124)**	700
Acquisition of subsidiaries *(Note 38)*	**63,624**	60,553
Consideration paid for acquisition of a subsidiary	**(59,543)**	(3,952)
Extinguishment gain *(Note)*	**(88,248)**	–
Settlement in shares of consideration for acquisition of a subsidiary	**(14,900)**	(2,964)
Increase in fair value	**41,820**	34,432
Transfer to other creditors	**(18,952)**	–
At end of year	**134,263**	210,586
Analysed as:		
Current liabilities	**21,259**	63,827
Non-current liabilities	**113,004**	146,759
	134,263	210,586

Note:

For the year ended October 31, 2019, both the Group and NOM's sellers agreed to revise the consideration downward, the extinguishment gain of HK$88,248,000 was reversed as other income *(Note 9)*.

The maturity of contingent consideration is as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**21,259**	63,827
More than one year, but not exceeding two years	**35,473**	110,793
More than two years, but not exceeding five years	**77,531**	35,966
	134,263	210,586

The carrying amounts of the contingent consideration is denominated in the following currencies:

	US dollars HK$'000	**GBP** HK$'000	**Total** HK$'000
At October 31, 2019	**103,383**	**30,880**	**134,263**
At October 31, 2018	175,725	34,861	210,586

31. Contingent Consideration (Continued)

Seed Communications LLC d/b/a Sub Rosa

The contingent consideration for acquisition of a subsidiary, Sub Rosa, requires the Group to pay the vendors remaining consideration not exceeding US$14,700,000 (equivalent to HK$115,203,000) in 2021/2022, depending on the level of Sub Rosa's audited earnings before interest and tax (EBIT) for the 2021 fiscal year. The remaining consideration will be mitigated by the amount of working capital injected by the Group into Sub Rosa from 2017 to 2021, and taking into account any previous dividends declared to the Group from 2018 to 2021 and other adjusting metrics based on the audited numbers of fiscal year 2021. HK$27,490,000 represents the estimated fair value of this obligation on December 1, 2017.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$0 and US$14,700,000 (equivalent to HK$115,203,000).

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers at December 1, 2017 and valued by management at October 31, 2019, using the income approach. Included in profit or loss for the year was HK$5,447,000 increase (2018: HK$2,382,000 decrease) in fair value of contingent consideration from October 31, 2018 to October 31, 2019.

Camron Public Relations Limited

The contingent consideration for acquisition of a subsidiary, Camron PR, requires the Group to pay the vendors remaining consideration not exceeding GBP3,700,000 (equivalent to HK$37,458,000) in cash and GBP500,000 (equivalent to HK$5,062,000) of value in Class A Units *(as defined in Note 38)* from the period beginning on November 1, 2019 and ending on and including October 31, 2022, depending on whether Camron PR's actual EBITDA for three years meet specified targets. HK$33,063,000 represents the estimated fair value of this obligation on July 12, 2018.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between GBP0 and GBP3,700,000 (equivalent to HK$37,458,000) and between GBP0 and GBP500,000 (equivalent to HK$5,062,000) of value in Class A Units.

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers, at July 12, 2018 and valued by management at October 31, 2019, using the income approach. Included in profit or loss for the year was HK$7,182,000 (2018: HK$1,797,000) increase in fair value of contingent consideration from October 31, 2018 to October 31, 2019.

31. Contingent Consideration (Continued)

Local Projects, LLC

The contingent consideration for the acquisition of Local Projects requires the Group to pay the sellers remaining consideration not exceeding US$13,000,000 (equivalent to HK$101,880,000) in cash or US$1,000,000 (equivalent to HK$7,837,000) in cash plus US$12,000,000 (equivalent to HK$94,043,000) in value of Class A Units following the expiry of each of the two years ending on October 31, 2021 and the end of the final year of three or four years from March 4, 2019 ("Earn-Out Years"), depending on the level of Local Projects' audited EBITDA for the years commencing on November 1, 2019 and ending on October 31, 2021 and for the Earn-Out Years and depending on whether Local Projects' net revenue from a new business line meets specified targets. HK$54,137,000 represents the estimated fair value of this obligation on March 4, 2019 *(Note 38)*.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$0 and US$13,000,000 (equivalent to HK$101,880,000) and between US$0 and US$12,000,000 (equivalent to HK$94,043,000) of value in Class A Units.

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers, at March 4, 2019 and October 31, 2019, using the income approach. Included in profit or loss for the year was HK$8,566,000 increase in fair value of contingent consideration from March 4, 2019 to October 31, 2019.

Infinity Marketing Team, LLC

The contingent consideration for the acquisition of Infinity requires the Group to pay the sellers remaining consideration not exceeding US$4,035,000 (equivalent to HK$31,622,000), holdback payable following the expiry of the fiscal year ending December 31, 2019 and earn-out payable in three equal installments on or before May 31, 2020, December 31, 2020 and December 31, 2021, depending on Infinity's actual EBITDA for the calendar year 2019. HK$9,487,000 represents the estimated fair value of this obligation on June 24, 2019 *(Note 38)*.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$0 and US$4,035,000 (equivalent to HK$31,622,000).

The contingent consideration was valued by Holthouse Carlin & Van Trigt, LLP, an independent and registered professional firm of valuers, at June 24, 2019 and valued by management at October 31, 2019, using the income approach. Included in profit or loss for the year was HK$632,000 increase in fair value of contingent consideration from June 24, 2019 to October 31, 2019.

32. Share Capital

	Number of shares		Share capital	
	2019	2018	**2019 HK$'000**	2018 HK$'000
Ordinary shares of HK$0.05 each				
Authorised:				
At beginning of year and end of year	**2,400,000,000**	2,400,000,000	**120,000**	120,000
Issued and fully paid:				
At beginning of year	**1,235,196,104**	1,230,220,104	**61,760**	61,511
Exercise of share options *(Note)*	**2,814,000**	4,976,000	**141**	249
At end of year	**1,238,010,104**	1,235,196,104	**61,901**	61,760

Note: During the year, 268,000, 2,478,000 and 68,000 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 (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).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group regularly reviews the capital structure by considering the costs of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends, new share issues and issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio, which is long-term borrowings divided by total assets. Total assets are calculated as non-current assets plus current assets. The gearing ratios as at October 31, 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Long-term borrowings	**354,153**	15,882
Non-current assets	**1,715,021**	1,407,019
Current assets	**3,182,598**	2,711,960
Total assets	**4,897,619**	4,118,979

	2019	2018
Gearing ratio	**7.23%**	0.39%

The Group overall strategy of gearing remains unchanged during the year.

33. Share-based Payments

At the AGM 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 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 not less than the highest of (i) 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; (ii) 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 (iii) the nominal value of the shares on the offer date.

As at October 31, 2019, the total number of outstanding share options issued under the Scheme is 5,180,000 which represents approximately 0.42% of the total number of shares in issue on that date.

33. Share-based Payments (Continued)

(i) Details of the specific categories of options relevant for the year ended October 31, 2019 are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK$
2013	23-May-14			
1st tranche		26-May-14	26.5.2014 – 23.5.2019	1.900
2nd tranche		3-Nov-14	3.11.2014 – 23.5.2019	1.900
3rd tranche		4-May-15	4.5.2015 – 23.5.2019	1.900
4th tranche		2-Nov-15	2.11.2015 – 23.5.2019	1.900
2014	21-May-15			
1st tranche		22-May-15	22.5.2015 – 21.5.2020	2.420
2nd tranche		2-Nov-15	2.11.2015 – 21.5.2020	2.420
3rd tranche		3-May-16	3.5.2016 – 21.5.2020	2.420
4th tranche		1-Nov-16	1.11.2016 – 21.5.2020	2.420
2015	24-May-16			
1st tranche		25-May-16	25.5.2016 – 24.5.2021	2.040
2nd tranche		1-Nov-16	1.11.2016 – 24.5.2021	2.040
3rd tranche		2-May-17	2.5.2017 – 24.5.2021	2.040
4th tranche		1-Nov-17	1.11.2017 – 24.5.2021	2.040
2016	24-May-17			
1st tranche		25-May-17	25.5.2017 – 24.5.2022	3.308
2nd tranche		1-Nov-17	1.11.2017 – 24.5.2022	3.308
3rd tranche		2-May-18	2.5.2018 – 24.5.2022	3.308
4th tranche		1-Nov-18	1.11.2018 – 24.5.2022	3.308
2017	21-May-18			
1st tranche		23-May-18	23.5.2018 – 21.5.2023	3.350
2nd tranche		1-Nov-18	1.11.2018 – 21.5.2023	3.350
3rd tranche		2-May-19	2.5.2019 – 21.5.2023	3.350
4th tranche		1-Nov-19	1.11.2019 – 21.5.2023	3.350
2018	16-May-19			
1st tranche		17-May-19	17.5.2019 – 16.5.2024	2.606
2nd tranche		1-Nov-19	1.11.2019 – 16.5.2024	2.606
3rd tranche		4-May-20	4.5.2020 – 16.5.2024	2.606
4th tranche		2-Nov-20	2.11.2020 – 16.5.2024	2.606

If the options remain unexercised after a period of five years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group before the options exercise.

33. Share-based Payments (Continued)

(ii) Details of the share options outstanding during the year are as follows:

	2019 Number of share options	**2019** Weighted average exercise price HK$	2018 Number of share options	2018 Weighted average exercise price HK$
Outstanding at beginning of year	**7,300,000**	**2.87**	11,926,000	2.54
Granted during the year	**842,000**	**2.61**	436,000	3.35
Lapsed during the year	**(148,000)**	**2.53**	(86,000)	2.78
Exercised during the year	**(2,814,000)**	**2.36**	(4,976,000)	2.12
Outstanding at end of year	**5,180,000**	**3.11**	7,300,000	2.87
Exercisable at end of year	**4,566,000**	**3.17**	6,134,000	2.78

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.925. The options outstanding at end of year have a weighted average remaining contractual life of 3 years (2018: average life of 3 years) and the exercise prices range from HK$2.040 to HK$3.350 (2018: HK$1.900 to HK$3.350). In 2019, options were granted on May 16, 2019. The estimated fair value per options ranges from HK$0.407 to HK$0.408 with total fair value of HK$343,000. In 2018, options were granted on May 21, 2018. The estimated fair value per option ranges from HK$0.580 to HK$0.582 with total fair value of HK$253,000.

These fair values were calculated using the Binominal Options Model. The inputs into the model were as follows:

Date of grant	**Exercise price** HK$	**Based on expected life of share options** Year(s)	**Expected volatility** %	**Weighted average share price** HK$	**Risk-free rate** %	**Annual dividend yield** %
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	3.350	5.00	27.00	3.350	2.430	4.96
May 16, 2019	2.606	5.00	26.00	2.606	1.700	4.90

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 model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of HK$314,000 for year ended October 31, 2019 (2018: HK$767,000) in relation to share options granted by the Company.

34. Statement of Financial Position and Reserve Movement of the Company

Statement of financial position of the Company

	Note	As at October 31 2019 HK$'000	2018 HK$'000
Non-current Asset			
Interests in subsidiaries		**66,394**	66,394
Current Assets			
Amounts due from subsidiaries		**844,772**	873,318
Bank and cash balances		**967**	830
		845,739	874,148
Current Liabilities			
Creditors and accrued charges		**1,737**	1,737
Financial guarantee		**5,041**	–
		6,778	1,737
Net Current Assets		**838,961**	872,411
NET ASSETS		**905,355**	938,805
Capital and Reserves			
Share capital	*32*	**61,901**	61,760
Reserves	*35*	**843,454**	877,045
TOTAL EQUITY		**905,355**	938,805

Approved by the Board of Directors on January 21, 2020 and are signed on its behalf by:

LAWRENCE CHIA SONG HUAT
DIRECTOR

MOK PUI KEUNG
DIRECTOR

34. Statement of Financial Position and Reserve Movement of the Company (Continued)

Reserve movement of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Equity-settled share-based payment reserve HK$'000	Special reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At November 1, 2017	756,600	854	4,623	50,594	105,123	917,794
Total comprehensive income for the year	–	–	–	–	176,647	176,647
Shares issued at premium	10,315	–	–	–	–	10,315
Recognition of equity-settled share-based payments	–	–	767	–	–	767
Exercise of equity-settled share-based payments	1,895	–	(1,895)	–	–	–
Transfer	61	–	(61)	–	–	–
2017 final and special dividends	–	–	–	–	(172,896)	(172,896)
2018 interim dividend	–	–	–	–	(55,582)	(55,582)
At October 31, 2018	768,871	854	3,434	50,594	53,292	877,045
Representing:						
2018 final dividend proposed					111,168	
Others					(57,876)	
Retained earnings at October 31, 2018					53,292	

34. Statement of Financial Position and Reserve Movement of the Company (Continued)

Reserve movement of the Company (Continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Equity-settled share-based payment reserve HK$'000	Special reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At November 1, 2018	768,871	854	3,434	50,594	53,292	877,045
Total comprehensive income for the year	–	–	–	–	126,695	126,695
Shares issued at premium	6,504	–	–	–	–	6,504
Recognition of equity-settled share-based payments	–	–	314	–	–	314
Exercise of equity-settled share-based payments	1,157	–	(1,157)	–	–	–
Transfer	64	–	(64)	–	–	–
2018 final dividend	–	–	–	–	(111,394)	(111,394)
2019 interim dividend	–	–	–	–	(55,710)	(55,710)
At October 31, 2019	**776,596**	**854**	**2,527**	**50,594**	**12,883**	**843,454**
Representing:						
2019 final dividend proposed					111,421	
Others					(98,538)	
Retained earnings at October 31, 2019					**12,883**	

35. Reserves

Nature and purpose of reserves

Share premium

Under the Companies Law (2018 Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital redemption reserve

The capital redemption reserve represents the nominal amount of share capital repurchased through the Stock Exchange and cancelled by the Company. The issued share capital was reduced by the nominal value thereof and transfer to the capital redemption reserve upon cancellation of the repurchased shares.

Capital reserve

The capital reserve of the Group represents the difference between the nominal amounts of the share capital issued by the Company in exchange for the nominal amount of the share capital of its subsidiaries at the date of reorganisation.

Equity-settled share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to Directors of the Company and employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 4 to the consolidated financial statements.

Legal reserve

The legal reserve of the Group represents the transfer from the retained earnings of the Company's subsidiaries as required by respective local laws and regulations.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

35. Reserves (Continued)

Nature and purpose of reserves (Continued)

Special reserve

The special reserve of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net assets of subsidiaries acquired by the Company at the date of reorganisation.

Assets revaluation reserve

The assets revaluation reserve has been set up and is adopted for property revaluation increase when an owner-occupied property is transferred to investment property upon the change in use. On the subsequent sale or retirement of the property, the attributable revaluation reserve is transferred directly to retained earnings.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges.

36. Deferred Tax

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding tax arising on undistributed earnings of subsidiaries HK$'000	Intangible assets HK$'000	Others HK$'000	Total HK$'000
At November 1, 2017	4,811	28,642	1,281	7,544	(1,679)	40,599
Exchange adjustments	(51)	(63)	–	84	45	15
Acquisition of a subsidiary	355	–	–	6,434	–	6,789
Charge (credit) to profit or loss for the year	(169)	713	111	(3,853)	(52)	(3,250)
At October 31, 2018 and November 1, 2018	4,946	29,292	1,392	10,209	(1,686)	44,153
Exchange adjustments	**80**	**91**	**(1)**	**(2)**	**(63)**	**105**
Acquisition of subsidiaries *(Note 38)*	**–**	**–**	**–**	**18,300**	**–**	**18,300**
Dissolution of subsidiaries *(Note 38)*	**1,477**	**–**	**–**	**–**	**–**	**1,477**
Charge (credit) to profit or loss for the year *(Note 12)*	**1,164**	**(487)**	**163**	**(1,431)**	**58**	**(533)**
At October 31, 2019	**7,667**	**28,896**	**1,554**	**27,076**	**(1,691)**	**63,502**

Deferred tax of HK$1,554,000 (2018: HK$1,392,000) has been provided in the consolidated financial statements in respect of the undistributed profits earned by the Group's subsidiaries in Japan, Taiwan and the PRC. Starting from January 1, 2008, the undistributed profits, earned by the Group's PRC subsidiaries attributable to the Group, are subject to the PRC Enterprise Income Tax Law upon the distribution of such profits to the shareholders outside the PRC. The applicable withholding tax rate for the Group for the year ended October 31, 2019 is 5% (2018: 5%).

At the end of the reporting period, deferred tax of HK$29,532,000 (2018: HK$26,439,000) has not been recognised in respect of certain undistributed earnings of subsidiaries.

The following is the analysis of the deferred tax balances:

	2019 HK$'000	2018 HK$'000
Deferred tax liabilities	**65,193**	45,839
Deferred tax assets	**(1,691)**	(1,686)
	63,502	44,153

At October 31, 2019, the Group has unused tax losses of HK$248,118,000 (2018: HK$207,269,000), available to offset against future profits. No deferred tax asset in respect of tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are HK$164,719,000 (2018: HK$133,912,000) may be carried forward indefinitely, and the tax losses of HK$83,399,000 (2018: HK$73,357,000) which will expire within 5 years up to year 2024.

37. Reconciliation of Profit before Tax to Cash Flows from Operations

	2019 HK$'000	2018 HK$'000
Profit before tax	**318,752**	336,630
Adjustments for:		
Interest expenses	**12,289**	4,067
Interest income	**(6,461)**	(5,908)
Dividend income	**(4)**	(4)
Depreciation	**49,340**	49,198
Amortisation of prepaid land lease payments	**2,410**	2,543
Amortisation of other intangible assets	**32,425**	17,316
Loss (Gain) on disposal of property, plant and equipment, net	**574**	(13,428)
Decrease (Increase) in net fair value of investment properties	**3,100**	(7,092)
Increase in fair value of contingent consideration	**41,820**	34,432
Gain on dissolution of subsidiaries, net	**(8,099)**	(1,111)
Gain on bargain purchase	**(2,268)**	–
Extinguishment gain	**(88,248)**	–
Income from sale of a show right partially	**(7,861)**	–
(Gain) Loss on disposal of subsidiaries, net	**(8,107)**	287
Loss on disposal of associates	**–**	68
Increase in fair value on financial liabilities at FVTPL not qualify for hedge accounting	**1,111**	–
Written off of bad debts	**5,042**	–
Allowance for bad and doubtful debts	**22,808**	11,701
Allowance written back on bad and doubtful debts	**(15,144)**	(3,947)
Allowance for inventories	**–**	6
Written off of club membership	**47**	–
Impairment on club membership	**48**	8
Impairment on goodwill	**24,796**	–
Impairment on interests in an associate	**8,771**	4,442
Share of profits of associates	**(14,349)**	(25,532)
Share of profits of joint ventures	**(15)**	(29)
Equity-settled share-based payments expenses	**314**	767
Operating profit before changes in working capital	**373,091**	404,414
Decrease in inventories	**25,400**	6,869
Decrease in contract work in progress	**–**	17,780
Increase in contract customers	**(418,163)**	–
Decrease (Increase) in amounts due from associates	**2,047**	(10,195)
(Increase) Decrease in amounts due from joint ventures	**(135)**	145
Decrease (Increase) in debtors, deposits and prepayments	**317,817**	(334,086)
Decrease in payments received on account	**–**	(10,293)
Increase in creditors and accrued charges	**236,860**	124,311
Decrease in contract liabilities	**(106,695)**	–
Decrease in amounts due to associates	**(1,499)**	(5,516)
(Decrease) Increase in amounts due to joint ventures	**(5,221)**	5,580
Cash flows from operations	**423,502**	199,009

38. Notes to the Consolidated Statement of Cash Flows

Acquisition of subsidiaries

FUTR World Limited

On January 7, 2019, the Group entered into an agreement to acquire 51% of the equity interests in FUTR, a company carries on the business of managing and organising live events, micro events, tours, research, content, workshops and media around the future of marketing, retail and commerce in particular the future business trends event currently known as "FUTR Europe" and "FUTR Asia". The acquisition is to align the Group's continuous expansion of its global strategy to be a leader in the conference and show management business.

According to the shares sales and purchase agreement dated December 13, 2018 between the Group and the shareholders of FUTR, the consideration for the acquisition of FUTR was settled by payments of GBP781,000 (equivalent to HK$7,879,000) in cash, and with an adjustment to the consideration in case the actual EBIT is less or more than the projected EBIT of FUTR for the year ended December 31, 2018. The purchase price was settled in two equal installments on completion date and following the expiry of the year ended December 31, 2018.

The fair value of the net identifiable assets and liabilities of FUTR, acquired as at the date of acquisition, is as follows:

	2019 **HK$'000**
Net assets acquired of:	
Property, plant and equipment *(Note 17)*	**160**
Intangible assets *(Note 19)*	**7,350**
Debtors, deposits and prepayments	**1,816**
Derivative financial assets	**6,471**
Bank and cash balances	**506**
Creditors and accrued charges	**(845)**
Current tax liabilities	**(482)**
Deferred tax liabilities *(Note 36)*	**(1,249)**
Non-controlling interests measured based on proportionate share of net identifiable assets	**(3,556)**
Translation reserve	**(24)**
	10,147
Gain on bargain purchase *(Note 9)*	**(2,268)**
	7,879
Satisfied by:	
Cash consideration paid	**7,879**

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

FUTR World Limited (Continued)

	2019 HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	**(7,879)**
Bank and cash balances acquired	**506**
	(7,373)

Trade and other debtors acquired comprise gross trade and other debtors amounting to HK$1,816,000, which approximates fair value. It is expected that the full contractual amount of the debtors can be collected.

The transaction costs related to the acquisition of HK$138,000 have been recognised in administrative expenses in the Group's profit and loss account in the current financial year.

The business combination results in a gain on bargain purchase because the consideration included an option value for the Group to acquire the remaining 49% of the shareholding in FUTR.

FUTR contributed HK$6,746,000 and a gain of HK$1,223,000 to the Group's revenue and profit for the year ended October 31, 2019 respectively for the period between the date of acquisition and the end of the reporting period.

Had this business combination been effected at November 1, 2018, the revenue of the Group would have been HK$5,017,351,000, and the profit for the year would have been HK$265,138,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on November 1, 2018, nor is it intended to be a projection of future results.

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

Local Projects, LLC

On March 4, 2019, the Group acquired a 100% interest in Local Projects. Local Projects is an agency organised in New York, principally engaged in design and production services that integrate physical design with digital media. It categorises its service offering in three main types: concept design, design development and production, and primarily focuses on working with cultural and corporate centres. The acquisition is to align the Group's expansion of museum, themed environment, interior and retail business in the US.

According to the membership interest purchase agreement dated March 4, 2019, the consideration for the acquisition of Local Projects was settled by way of (a) initial consideration of US$13,000,000 (equivalent to HK$101,973,000) in cash, 5,000,000 class A units of MTM Choice Holdings LLC ("MTM"), a subsidiary of the Group ("Class A Units"), having an aggregate value of US$5,000,000 (equivalent to HK$39,220,000), and with an adjustment in cash to initial consideration in case the actual working capital of Local Projects as of March 4, 2019 is greater than or less than the pre-agreed target working capital of Local Projects; and (b) contingent consideration comprised of cash consideration of up to US$13,000,000 (equivalent to HK$101,880,000) or US$1,000,000 (equivalent to HK$7,837,000) plus share consideration of up to US$12,000,000 (equivalent to HK$94,043,000) in value of Class A Units. The final amount of consideration depends on whether Local Projects' actual EBITDA for the years commencing on November 1, 2019 and ending on October 31, 2021 and for the three or four years from March 4, 2019 ("Earn-Out Year") meet specified targets and during the final Earn-Out Year, Local Projects' net revenue from a new business line meets specified targets and is payable following the expiry of each of the years ending on October 31, 2021 and the end of the final Earn-Out Year.

The fair value of the net identifiable assets and liabilities of Local Projects, acquired as at the date of acquisition, is as follows:

	2019 **HK$'000**
Net assets acquired of:	
Property, plant and equipment *(Note 17)*	**559**
Intangible assets *(Note 19)*	**81,107**
Debtors, deposits and prepayments	**25,030**
Bank and cash balances	**21,798**
Creditors and accrued charges	**(23,874)**
Deferred tax liabilities *(Note 36)*	**(6,175)**
	98,445
Goodwill *(Note 19)*	**96,885**
	195,330
Satisfied by:	
Cash consideration paid	**101,973**
Contingent consideration *(Note 31)*	**54,137**
Issuance of shares of a subsidiary	**39,220**
	195,330

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

Local Projects, LLC (Continued)

	2019 HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	**(101,973)**
Bank and cash balances acquired	**21,798**
	(80,175)

The fair value of the contingent consideration arrangement of HK$54,137,000 was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 19.5%.

The fair value of the 5,000,000 Class A Units issued as part of the consideration paid was determined by applying the income approach.

Trade and other debtors acquired comprise gross trade and other debtors amounting to HK$25,030,000, which approximates fair value. It is expected that the full contractual amount of the debtors can be collected.

The transaction costs related to the acquisition of HK$821,000 have been recognised in administrative expenses in the Group's profit and loss account in the current financial year.

Goodwill arose in the acquisition of Local Projects because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Local Projects. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Local Projects contributed HK$76,747,000 and HK$16,586,000 to the Group's revenue and profit for the year ended October 31, 2019 respectively for the period between the date of acquisition and the end of the reporting period.

Had this business combination been effected at November 1, 2018, the revenue of the Group would have been HK$5,046,772,000, and the profit for the year would have been HK$264,451,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on November 1, 2018, nor is it intended to be a projection of future results.

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

Infinity Marketing Team, LLC

On June 24, 2019, the Group acquired a 60% interest in Infinity. Infinity is a marketing, event and promotion agency servicing clients throughout the US. It produces experiential events and provides services related to event execution, exhibit environments, mobile marketing tours, digital marketing, event furnishings, and brand marketing strategies. The acquisition is to align the Group's continuous expansion of its global strategy in the exhibition and event marketing service segment in the US.

According to the unit purchase agreement dated June 24, 2019 between the Group and the shareholders of Infinity, the consideration for the acquisition of Infinity was settled by way of (a) initial consideration of US$14,651,000 (equivalent to HK$114,491,000) in cash, and with an adjustment to initial consideration (A) if net working capital is greater than US$797,000 (the "Target NWC"), plus 60% of (i) net working capital less (ii) Target NWC or (B), if net working capital is less than Target NWC, minus 60% of (i) Target NWC less (ii) net working capital (such adjustment under (A) or (B), the "NWC Adjustment"); and (b) contingent consideration comprised of cash consideration of up to US$4,035,000 (equivalent to HK$31,622,000). The final amount of consideration depends on Infinity's actual EBITDA for the calendar year 2019 and holdback is payable following the expiry of the fiscal year ending December 31, 2019 and earn-out is payable in three equal installments on or before May 31, 2020, December 31, 2020 and December 31, 2021.

The fair value of the net identifiable assets and liabilities of Infinity, acquired as at the date of acquisition, is as follows:

	2019 **HK$'000**
Net assets acquired of:	
Property, plant and equipment *(Note 17)*	**164**
Intangible assets *(Note 19)*	**95,416**
Debtors, deposits and prepayments	**19,172**
Bank and cash balances	**1,739**
Creditors and accrued charges	**(35,625)**
Deferred tax liabilities *(Note 36)*	**(10,876)**
Non-controlling interests measured based on proportionate share of net identifiable assets	**(34,761)**
	35,229
Goodwill *(Note 19)*	**103,208**
	138,437
Satisfied by:	
Cash consideration paid	**114,491**
Cash consideration payable	**14,459**
Contingent consideration *(Note 31)*	**9,487**
	138,437

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Acquisition of subsidiaries (Continued)

Infinity Marketing Team, LLC (Continued)

	2019 HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	**(114,491)**
Bank and cash balances acquired	**1,739**
	(112,752)

The fair value of the contingent consideration arrangement of HK$9,487,000 was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 19%.

Trade and other debtors acquired comprise gross trade and other debtors amounting to HK$19,172,000, which approximates fair value. It is expected that the full contractual amount of the debtors can be collected.

The transaction costs related to the acquisition of HK$1,381,000 have been recognised in administrative expenses in the Group's profit and loss account in the current financial year.

Goodwill arose in the acquisition of Infinity because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Infinity. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Infinity contributed HK$31,054,000 and HK$3,701,000 to the Group's revenue and profit for the year ended October 31, 2019 respectively for the period between the date of acquisition and the end of the reporting period.

Had this business combination been effected at November 1, 2018, the revenue of the Group would have been HK$5,118,899,000, and the profit for the year would have been HK$280,275,000. This proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on November 1, 2018, nor is it intended to be a projection of future results.

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Disposal of subsidiaries

A 50%-owned subsidiary and a wholly-owned subsidiary of the Group were disposed during the year, and net accumulative translation gain of HK$85,000 was reclassified to this year's consolidated profit or loss. Gain arising on the disposal of these subsidiaries, including the net accumulative translation gain, amounting to HK$8,107,000 are included in other income.

The carrying amounts of the assets and liabilities at its date of disposal, were as follows:

	2019 HK$'000
Net liabilities disposed of:	
Debtors, deposits and prepayments	**1,148**
Bank and cash balances	**130**
Creditors and accrued charges	**(7,367)**
Current tax liabilities	**(67)**
	(6,156)
Release of translation reserve	**85**
Non-controlling interests	**(2,036)**
Gain on disposal of subsidiaries, net	**8,107**
Total consideration – satisfied by cash	**–**
Net cash outflow arising on disposal of subsidiaries:	
Bank and cash balances disposed of	**(130)**

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Dissolution of subsidiaries

Seven wholly-owned subsidiaries and a 90%-owned subsidiary of the Group were dissolved during the year, and a past translation gain of HK$37,000 was reclassified to this year's consolidated profit or loss. Gain arising on the dissolution of these subsidiaries, including the translation gain, amounting to HK$8,099,000 is included in other income.

The carrying amounts of the assets and liabilities at its date of dissolution, were as follows:

	2019 HK$'000
Net liabilities dissolved of:	
Debtors, deposits and prepayments	5
Current tax assets	8
Bank and cash balances	394
Deferred tax assets *(Note 36)*	1,477
Creditors and accrued charges	(10,020)
	(8,136)
Release of translation reserve	37
Gain on dissolution of subsidiaries, net	8,099
Total consideration – satisfied by cash	–
Net cash outflow arising on dissolution of subsidiaries:	
Bank and cash balances dissolved of	(394)

Purchase of non-controlling interests

During the year ended October 31, 2019, the Group acquired 30% and 3.1% in subsidiaries from the non-controlling shareholders at a cash consideration of HK$10,012,000, which was settled during the year.

The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	2019 HK$'000
Share of net assets in subsidiaries acquired	210
Consideration	(10,012)
Loss on acquisition recognised directly in equity	(9,802)

38. Notes to the Consolidated Statement of Cash Flows (Continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At November 1, 2018 HK$'000	**Changes from financing cash flows HK$'000**	**Interest expenses HK$'000**	**Acquisition of subsidiaries HK$'000**	**Effect of changes in foreign exchange rates HK$'000**	**Other changes HK$'000**	**At October 31, 2019 HK$'000**
Borrowings *(Note 30)*	**108,788**	**489,975**	**12,289**	**–**	**1,003**	**–**	**612,055**
Contingent consideration *(Note 31)*	**210,586**	**(59,543)**	**–**	**63,624**	**(124)**	**(80,280)**	**134,263**
	319,374	**430,432**	**12,289**	**63,624**	**879**	**(80,280)**	**746,318**

	At November 1, 2017 HK$'000	Changes from financing cash flows HK$'000	Interest expenses HK$'000	Acquisition of subsidiaries HK$'000	Effect of changes in foreign exchange rates HK$'000	Other changes HK$'000	At October 31, 2018 HK$'000
Borrowings	80,790	23,376	4,067	–	555	–	108,788
Contingent consideration	121,817	(3,952)	–	60,553	700	31,468	210,586
	202,607	19,424	4,067	60,553	1,255	31,468	319,374

39. Pledge of Assets

At October 31, 2019, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	2019 HK$'000	2018 HK$'000
Freehold land and buildings	**55,913**	55,571
Leasehold land and buildings	**117,152**	123,085
Pledged bank deposits	**15,822**	12,711
Guarantee deposits	**–**	2,747
	188,887	194,114

40. Capital Commitments

	2019 HK$'000	2018 HK$'000
Capital expenditures in respect of property, plant and equipment and other investment		
– contracted but not provided for	**9,645**	17,379
– authorised but not contracted for	**2,256**	2,213
	11,901	19,592

41. Operating Lease Commitments

The Group as lessee

At October 31, 2019, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment are payable as follows:

	2019		2018	
	Rented premises HK$'000	**Equipment HK$'000**	Rented premises HK$'000	Equipment HK$'000
Not later than one year	**21,896**	**395**	10,561	351
Later than one year and not later than five years	**54,202**	**650**	24,716	281
Later than five years	**143,125**	**–**	102,298	–
	219,223	**1,045**	137,575	632

Operating lease payments mainly represent five (2018: five) rentals payable by the Group for its offices. Leases are ranged between one year to sixty years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At October 31, 2019, the Group's total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	**27,267**	27,273
Later than one year and not later than five years	**17,343**	37,424
	44,610	64,697

Leases for residential and office premises are for an average term of one to five years (2018: one to five years) and the rentals are fixed over the terms of the leases.

42. Contingent Liabilities

Financial guarantees issued

At October 31, 2019, the Group has issued the following guarantees:

	2019 **HK$'000**	2018 HK$'000
Performance guarantees		
– secured	**106,513**	63,738
– unsecured	**26,730**	21,965
	133,243	85,703
Other guarantees		
– secured	**27,709**	45,056

At October 31, 2019, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

43. Retirement Benefits Scheme

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the retirement benefits scheme are held separately from those of the Group in funds under the control of the trustees.

The retirement benefits scheme's cost charged to profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of scheme. Where there are employees who leave the retirement benefits scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the end of the reporting period, contribution forfeited of HK$108,000 (2018: HK$108,000), which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group.

This retirement benefits scheme has now been closed to new employees in Hong Kong as consequence of the new Mandatory Provident Fund Pension Legislation introduced by the Hong Kong Government. New staff in Hong Kong joining the Group after December 1, 2000 are required to join the Mandatory Provident Fund.

All Hong Kong staff employed by the Group before December 1, 2000 have been offered to join the Mandatory Provident Fund or remain under the Group's retirement benefits scheme. The Group and the employees contribute the same amount of 5% of the monthly remunerations up to HK$1,500 per month to the Mandatory Provident Fund.

44. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its associates, joint ventures and related companies during the year:

	2019			2018		
	Associates HK$'000	**Joint ventures HK$'000**	**Related companies HK$'000**	Associates HK$'000	Joint ventures HK$'000	Related companies HK$'000
For the year ended October 31						
Exhibition Income	**4,320**	**503**	**–**	13,750	368	97
Sub-contracting fee paid	**19,142**	**–**	**448**	30,405	–	920
Management fee income	**10,704**	**–**	**–**	15,020	–	–
Property rental income	**485**	**–**	**–**	445	12	108
Property rental expenses	**–**	**–**	**608**	–	–	608
Other income	**828**	**3**	**452**	1,450	4	554
As at October 31						
Receivables	**29,498**	**137**	**71**	31,268	–	15
Payables	**5,381**	**736**	**201**	6,862	5,942	155

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

Compensation of key management personnel (including Executive Directors) of the Group during the year:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses, allowances and benefits in kinds	**45,522**	45,695
Group's contributions to retirements scheme	**308**	320
Share-based payments	**28**	406
	45,858	46,421

45. Particulars of Principal Subsidiaries

Details of the Company's principal subsidiaries as at October 31, 2019 are as follows:

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
A.E. Smith Brand Management (Shanghai) Co., Ltd. @	The PRC	US$2,500,000	90	Visual identity solutions, brand management, design and consultancy services, and investment holding
A.E. Smith Signs (Guangzhou) Co., Ltd. π	The PRC	RMB100,000	90	Visual identity solutions
Beijing Action One Communication Co., Ltd. @	The PRC	RMB1,231,000	100	Technology solutions for exhibition, event, museum, interior and themed environment
Beijing Astronaut Culture Communication Co., Ltd. π	The PRC	RMB5,000,000	86	Digital marketing and technology solution
Beijing Pico DesignWorks Co., Ltd. π	The PRC	RMB10,000,000	100	Construction, interior design, turnkey services for exhibition, museum, interior, themed environment, image consultancy and project management
Beijing Pico Exhibition Management Co., Ltd. π	The PRC	RMB50,000,000	100	Property holding, turnkey services for exhibition, museum, interior and themed environment
Beijing Pico Exhibition Services Co., Ltd. @	The PRC	US$1,897,000	100	Investment holding, and turnkey services for exhibition, event, museum, interior and themed environment
Camron Public Relations Limited *(Note b)*	The United Kingdom	GBP35,000	68.8	Design, lifestyle and business innovation communications agency
Chenzhou International Convention and Exhibition Center Limited #	The PRC	RMB5,000,000	60	Design, development, management and operation of exhibition and convention centre
Dongguan Pico Exhibition Engineering Co., Limited @	The PRC	RMB50,000,000	100	Property holding, production of exhibition, event products and interior fit-out

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Dongguan Pico Exhibition Services Co., Limited @	The PRC	HK$8,850,000	100	Production of exhibition, event products and interior fit-out
E3 Information Technology Company Limited^	The PRC	RMB7,000,000	100	Innovative services and disruptive technology
Epicentro Digital Limited	Hong Kong	HK$1	100	Visual content, digital content and digital marketing solutions
Fairtrans International Ltd.	Japan	Yen10,000,000	100	Freight forwarding, exhibition logistics and transportation services for exhibitors
FUTR World Limited	The United Kingdom	GBP300	51	Organisation and managing exhibition, conference and events
Global-Link MP Events International Inc. *(Note b)*	The Philippines	Philippine Pesos 1,000,000	60	Organising and managing exhibitions, conferences and events
GMC Hong Kong Ltd.	Hong Kong	HK$10	100	Production of exhibition, event and interior fit-out products
GMC Interior Decoration LLC	Dubai	United Arab Emirates dirhams 300,000	49 *(Note a)*	Property holding
Guangzhou Pico Exhibition Services Co., Ltd. @	The PRC	HK$12,500,000	100	Turnkey services for exhibition, event, museum, interior and themed environment
Hydenseek Entertainment Pte Ltd. (f.k.a. Indec International Pte Ltd.) *(Note b)*	Singapore	S$100,000	100	Interior renovation, design and consultancy services
Intertrade Lanka Management (Private) Limited *(Note b)*	Sri Lanka	Lankan Rupees 8,472,500	100	Design, development, management and operation of exhibition and convention centre
Intertrade (Sri Lanka) Pte Ltd. *(Note b)*	Singapore	S$2	100	Investment holding

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Intertrade Services Pte Ltd.	Republic of Seychelles	US$1	100	Provision of management services for exhibitions and trade fairs, and investment holding
Infinity Marketing Team, LLC *(Note b)*	The United States	–	60	Marketing, event and promotion management
Local Projects, LLC *(Note b)*	The United States	–	68.8	Cultural and corporate centre concept, design and production management
Marina Bay Carnival Pte Ltd. *(Note b)*	Singapore	S$100,000	100	Design and project management services
MP Congress and Exhibitions Pte Ltd. *(Note b)*	Singapore	S$100,000	100	Event management services and investment holding
MP Expositions Pte Ltd. *(Note b)*	Singapore	S$10,000	100	Exhibition organising and event management
MP International Investments Pte Ltd. *(Note b)*	Singapore	S$10,000	100	Investment holding
MP International Pte Ltd. *(Note b)*	Singapore	S$1,500,000	100	Investment holding, management of convention, conference, and management development programme and course
MP Singapore Pte Ltd. *(Note b)*	Singapore	S$1,500,000	100	Management of convention conference, seminar and exhibition
MTM Choice Holdings LLC *(Note b)*	The United States	US$40,041,488– Class A US$10,000 – Class B *(Note d)*	68.8	Investment holding
Not Ordinary Media, LLC *(Note b)*	The United States	–	68.8	Media planning, procurement and optimisation in social video for clients

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
P3 Space Management Company Limited^	The PRC	RMB4,000,000	70	Innovative services and disruptive technology
Parico Electrical Engineering Sdn. Bhd. *(Note b)*	Malaysia	Malaysian Ringgits 100,000	50 *(Note a)*	Electrical specialist
Pico Art International Pte Ltd. *(Note b)*	Singapore	S$1,500,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior, themed environment, and investment holding
Pico Concept Limited *(Note b)*	The United Kingdom	GBP80	100	Turnkey services for exhibition, event, museum, interior and themed environment
Pico Contracts Limited	Hong Kong	HK$7,600,000	100	Museum and theme park design, construction and decoration and consultancy and project management
Pico Convention and Exhibition Services Company Limited #	The PRC	RMB5,000,000	100	Services to organisers and fabrication of exhibition booths
Pico Convention and Exhibition (Xi'an) Company Limited @	The PRC	RMB5,135,130	100	Services to organisers and fabrication of exhibition booths
Pico Global Services Limited	Hong Kong	HK$100	100	Provision of corporate services and consultancy services
Pico Hanoi Ltd.	Vietnam	US$50,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico Ho Chi Minh City Ltd.	Vietnam	US$300,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Pico IES Group (China) Co., Ltd. @	The PRC	US$140,000	100	Services to organisers and fabrication of exhibition booths
Pico IES Group Limited	Hong Kong	HK$10,000	100	Services to organisers and fabrication of exhibition booths
Pico IN-Creative (UK) Ltd. *(Note b)*	The United Kingdom	GBP1	100	Turnkey services for exhibition, event, museum, interior and themed environment
Pico International (Henan) Exhibition Services Company Limited #	The PRC	RMB5,000,000	60	Turnkey services for exhibition, event, museum, interior and themed environment
Pico International (HK) Limited	Hong Kong	HK$2,600,000 – ordinary shares HK$2,500,000 – non-voting deferred shares *(Note c)*	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment, and investment holding
Pico International (M) Sdn. Bhd. *(Note b)*	Malaysia	Malaysian Ringgits 1,075,200	50 *(Note a)*	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico International (Macao) Limited	Macau	Macau Pataca 25,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico International (LA) Inc.	The United States	US$1,000	100	Turnkey services for exhibition, event, museum, interior and themed environment
Pico International (Oman) LLC *(Note b)*	Oman	–	95	Organisation and management of events
Pico International (Qatar) WLL *(Note b)*	Qatar	Qatari Riyals 200,000	95	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Pico International Exhibition Services Limited	Hong Kong	HK$100	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico International LLC (DMCC Branch) *(Note b)*	Dubai	–	95	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico International Ltd.	Japan	Yen10,000,000	100	Turnkey services for exhibition, event, museum, interior and themed environment
Pico International Taiwan Ltd. *(Note b)*	Taiwan	New Taiwan Dollars 20,000,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico Investments BVI Ltd. *(Note e)*	British Virgin Islands	US$316	100	Investment holding
Pico Myanmar Company Limited	Myanmar	US$50,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico North Asia Ltd.	Korea	Korean Won 200,000,000	99.28	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Pico Play Pte Ltd.	Singapore	S$100,000	55	Design consultancy, project management and thematic construction services
Pico Production Ltd. *(Note b)*	Dubai	–	95	Production of exhibition, event products and interior fit-out
Pico Pro International Limited (f.k.a. MP International (HKG) Limited)	Hong Kong	HK$10,000	100	Investment holding, exhibition organising and event management

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Pico Projects (International) Limited	Hong Kong	HK$100	100	Interior design and renovation, exhibition and event fabrication
Pico Projects LLC	Russia	Russian Rubles 10,000	100	Interior design and renovation, exhibition and event fabrication, consultancy and project management
Pico-Sanderson JV Pte Ltd. *(Note b)*	Singapore	S$1,000,000	100	Themed design, construction and project management services
Pico Services Mumbai Private Limited *(Note b)*	India	India Rupee 29,894,130	100	Turnkey services for exhibition, event, museum, interior and themed environment
Pico Sports Cultural and Development Group (Beijing) Ltd. π	The PRC	RMB5,000,000	86	Exhibition and event marketing
Pico TBA Consulting Group (Beijing) Limited @	The PRC	RMB5,000,000	86	Full services of brand marketing and creative agency
Pico TBA Consulting Group (Shanghai) Limited @	The PRC	RMB5,000,000	86	Full services of brand marketing and creative agency
Pico Venture Pte Ltd. *(Note b)*	Singapore	S$400,000	100	Investment holding
Pico Venue Services Limited	Hong Kong	HK$2	100	Investment holding
Pico World (Singapore) Pte Ltd. *(Note b)*	Singapore	S$500,000	100	Exhibition design and fabrication, event and promotion
PT Pico TBA *(Note b)*	Indonesia	Indonesian Rupiahs 3,000,000	100	Full services of brand marketing and creative agency
Pudong Pico Exhibition Producer Co., Ltd. @	The PRC	US$140,000	100	Production of exhibition, event and interior fit-out products
Seed Communications LLC d/b/a Sub Rosa *(Note b)*	The United States	–	68.8	Cultural intelligence and social listening
Shanghai Pico Exhibition Management Co., Ltd. π	The PRC	RMB7,000,000	100	Brand strategy and design

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Shanghai Pico Exhibition Services Co., Ltd. @	The PRC	US$848,000	100	Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment
Shanghai Pico Management Company Limited @	The PRC	US$10,000,000	100	Property and investment holding
Shanghai Pico Plus Marketing Consulting Ltd. @	The PRC	US$647,000	92.5	Above-the-line engagement marketing, brand strategy and public relations
Shanghai Pixels Information Technology Co., Ltd. π	The PRC	RMB5,000,000	86	Design and technology solutions for interactive experience
Shenzhen Pico Exhibition Services Co., Ltd. @	The PRC	HK$4,000,000	100	Services to organiser, turnkey services for exhibition, event, museum, interior and themed environment
Shenzhen Pico Plus Services Company Limited π	The PRC	HK$10,000,000	100	Services to organisers and fabrication of exhibition booths
SSWIFT Financial Information Technology Services Limited	Hong Kong	HK$10,000	100	Innovative services and disruptive technology
SSWIFT Financial Information Technology Services Limited – Shanghai @	The PRC	US$360,000	100	Innovative services and disruptive technology
TBA (Asia) Pte Ltd. *(Note b)*	Singapore	S$10,000	100	Investment holding
TBA (Indonesia) Pte Ltd. *(Note b)*	Singapore	S$2	100	Full services of brand marketing and creative agency and investment holding
Tinsel Limited *(Note e)*	British Virgin Islands	US$10	100	Investment holding
Total Brand Activation Hong Kong Limited	Hong Kong	HK$1	86	Full services of brand marketing and creative agency

45. Particulars of Principal Subsidiaries (Continued)

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Group %	Principal activities
Total Brand Activation Pte Ltd. *(Note b)*	Singapore	S$250,000	86	Full services of brand marketing and creative agency
World Image International Ltd.	Hong Kong	HK$10,000	90	Visual identity solutions and investment holding
World Image (China) Company Ltd. @	The PRC	US$140,000	90	Visual identity solutions and investment holding
Yangon Convention Centre Ltd.	Myanmar	US$50,000	100	Property holding, operation of exhibition and convention centre

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

@ These subsidiaries are registered as wholly-owned foreign enterprise under the PRC law.

\# These subsidiaries are Sino-foreign equity joint ventures.

^ These subsidiaries are registered in the PRC as co-operative liability companies.

π These subsidiaries are registered in the PRC with limited liability.

Notes:

(a) These companies are deemed to be subsidiaries of the Company as the Company controls the composition of the board of directors.

(b) These subsidiaries are audited by other firms of auditors.

(c) The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up. The subsidiary had been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

(d) The Group holds part of class A units of the subsidiary, which have the rights to control and manage the subsidiary. As the conditions and terms pursuant to the agreement, distribution will be distributed to class A unit members until equal to their capital contribution and a cumulative return. The distribution will then be distributed to class B unit members, which are held by non-controlling interests and do not have the right to control the subsidiary. The remaining distribution will be distributed in according to class A and B unit members in proportion of 80% and 20% respectively.

(e) Except for Tinsel Limited and Pico Investments BVI Ltd., all other subsidiaries are indirectly held by the Company.

45. Particulars of Principal Subsidiaries (Continued)

The following table shows information on the subsidiaries that have non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name Principal place of business	MTM Choice Holdings LLC and its subsidiaries The United States 2019	2018
Percentage of ownership interests/ Voting rights held by non-controlling interests	**31.2%/ 31.2%**	28.5%/ 28.5%
	HK$'000	HK$'000
At October 31		
Non-current assets	**433,255**	289,888
Current assets	**161,168**	119,106
Non-current liabilities	**(208,818)**	(156,722)
Current liabilities	**(136,405)**	(107,863)
Net assets	**249,200**	144,409
Accumulated non-controlling interests	**77,750**	30,910
Year ended October 31		
Revenue	**370,931**	225,115
Loss for the year	**11,049**	42,039
Total comprehensive expenses	**11,049**	42,039
Loss allocated to non-controlling interests	**3,362**	11,981
Dividend received from non-controlling interests	**–**	–
Net cash used in operating activities	**(47,650)**	(27,918)
Net cash used in investing activities	**(112,369)**	(20,752)
Net cash generated from financing activities	**77,258**	96,257
Net (decrease) increase in cash and cash equivalents	**(82,761)**	47,587

46. Particulars of Principal Associates

Details of the Group's principal associates as at October 31, 2019 are as follows:

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Attributable equitable interest of the Group %	Principal activities
Arina International Holding Pte Ltd.	Singapore	S$300,000	30	Exhibition and interior contractor
Global Spectrum Pico Holdings Pte Ltd.	Singapore	S$100	35	Investment holding
Global Spectrum Pico Pte Ltd.	Singapore	S$100,000	35	Business management and consultancy services
InfocommAsia Pte Ltd.	Singapore	S$20,000	45	Management of convention and conference
International Furniture Fair Singapore Pte Ltd.	Singapore	S$100,000	40	Exhibition organiser
J&P Sports Culture Communication Shanghai Company Limited *(Note a)*	The PRC	RMB10,000,000	49	Turnkey services for exhibition, event, museum, interior and themed environment
Pico Australia Pty Ltd.	Australia	AUD100	49	Turnkey services for exhibition, event, museum, interior and themed environment
Pico (Thailand) Public Company Ltd.	Thailand	Baht 215,294,559 – ordinary shares Baht 330,000 – preferred shares	40	Services to organiser, turnkey services for exhibition, event, museum, interior and themed environment
Xi'an Greenland Pico Int'l Convention and Exhibition Co. Ltd. *(Note b)*	The PRC	RMB125,000,000	30	Management and leasing of exhibition halls including organising of exhibitions and events

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) This associate is registered in the PRC as co-operative liability companies.

(b) This associate is a Sino-foreign equity joint venture.

47. Particulars of Principal Joint Venture

Details of the Group's principal joint venture as at October 31, 2019 is as follows:

Name	Place of incorporation / registration / operation	Issued and fully paid share capital / registered capital	Attributable equitable interest of the Group %	Principal activities
Kenes MP Asia Pte Ltd.	Singapore	S$100,000	45	Managing exhibitions and conferences in medical and scientific industries

The above table lists the joint venture of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Honorary Chairman

Chia Siong Lim

Board of Directors

Executive directors

Lawrence Chia Song Huat (Chairman)
(Chairman of the Nomination Committee and Member of the Remuneration Committee)
Jean Chia Yuan Jiun
Mok Pui Keung

Independent non-executive directors

Gregory Robert Scott Crichton
(Chairman of the Remuneration Committee and Member of the Audit Committee)
James Patrick Cunningham
(Member of the Audit Committee, Remuneration Committee and Nomination Committee)
Frank Lee Kee Wai
(Member of the Audit Committee)
Charlie Yucheng Shi
(Chairman of the Audit Committee and Member of the Nomination Committee)

Company Secretary

Leung Hoi Yan (CPA, ACIS, ACS, FCA, FCCA)

Auditor

RSM Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Citibank, N.A.
Crédit Agricole Corporate and Investment Bank
Development Bank of Singapore
OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Overseas Bank

Corporate Office

Pico House
4 Dai Fu Street
Tai Po Industrial Estate
New Territories
Hong Kong

Registered Office

Kirk House
P. O. Box 309
Grand Cayman
Cayman Islands
British West Indies

Principal Share Registrars and Transfer Office

The R&H Trust Co Ltd
Windward 1
Regatla Office Park
P. O. Box 897
Grand Cayman KY1-1103
Cayman Islands

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
Suites 3301–04
33/F, Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Corporate Website

www.pico.com

Corporate Calendar

Annual General Meeting	March 27, 2020
Payment of Final Dividend	April 15, 2020
Announcement of Interim Results	June 2020
Announcement of Final Results	January 2021

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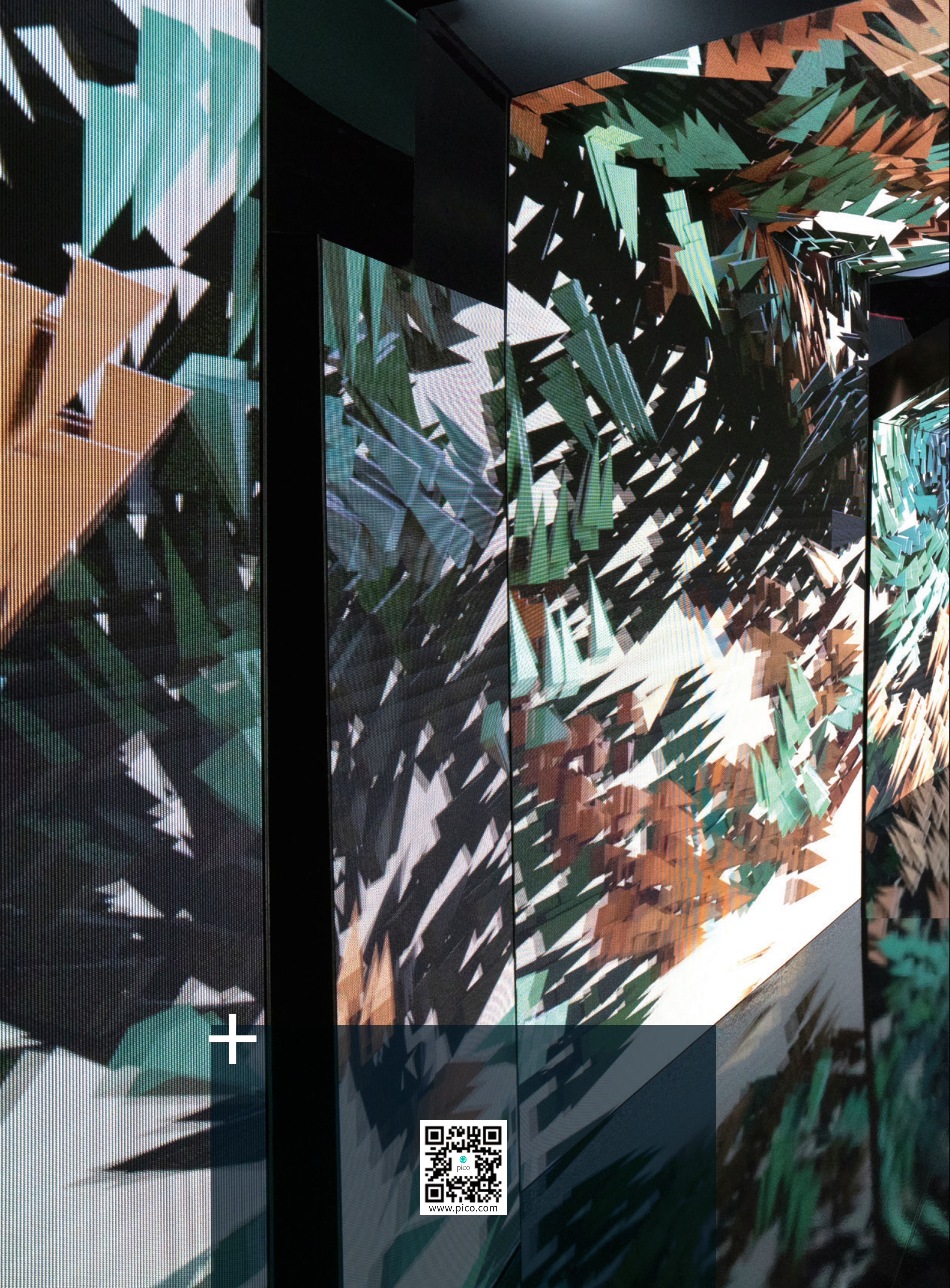
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