

Pico Far East Holdings Limited

Stock Code 752 (Incorporated in the Cayman Islands with Limited Liability)

Interim Report 2020

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UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Pico Far East Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended April 30, 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2020

	Note	For the six months ended April 30,	
		2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Revenue	2	1,868,010	2,474,057
Cost of sales		(1,251,877)	(1,734,953)
Gross profit		616,133	739,104
Other income		47,257	32,914
Distribution costs		(311,990)	(308,021)
Administrative expenses		(264,662)	(271,108)
(Impairment losses) Reversal of impairment losses for trade and other receivables		(1,531)	655
Other operating expenses		(907)	(1,579)
Profit from core operations		84,300	191,965
Change in remeasurement of contingent consideration		(11,517)	(26,548)
Amortisation of other intangible assets arising from business combinations		(19,855)	(11,840)
Profit from operations		52,928	153,577
Finance costs	3	(13,600)	(3,391)
Share of (losses) profits of associates		39,328	150,186
Share of losses of joint ventures		(7,983)	2,370
		-	(10)
Profit before tax		31,345	152,546
Income tax expense	4	(6,168)	(33,057)
Profit for the period	5	25,177	119,489
Attributable to:			
Owners of the Company		24,123	123,042
Non-controlling interests		1,054	(3,553)
		25,177	119,489
EARNINGS PER SHARE	7		
Basic		1.95 cents	9.95 cents
Diluted		1.95 cents	9.95 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2020

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	25,177	119,489
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(46,655)	40,193
Share of other comprehensive income of associates	(9,632)	3,832
Reserve reclassified to profit or loss on dissolution of subsidiaries	–	1
Cash flow hedges		
Gain arising during the period	8,949	–
Items that will not be reclassified to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income	–	(19)
Other comprehensive income for the period, net of tax	(47,338)	44,007
Total comprehensive income for the period	(22,161)	163,496
Attributable to:		
Owners of the Company	(20,990)	165,935
Non-controlling interests	(1,171)	(2,439)
	(22,161)	163,496

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2020

	<i>Note</i>	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Non-current Assets			
Investment properties		140,585	142,590
Property, plant and equipment	8	680,034	702,517
Prepaid land lease payments		–	80,996
Right-of-use assets	8	259,808	–
Intangible assets	8	598,792	622,933
Interests in joint ventures		–	565
Interests in associates		129,961	150,664
Financial assets at fair value through other comprehensive income (“FVTOCI”)	9	3,836	3,842
Deferred tax assets		1,392	1,691
Loan due from an associate		8,344	9,223
		1,822,752	1,715,021
Current Assets			
Inventories		45,606	38,422
Contract assets		491,700	437,067
Derivative financial assets		6,174	6,496
Debtors, deposits and prepayments	10	953,523	1,381,122
Amounts due from associates		15,042	20,275
Amounts due from joint ventures		133	137
Current tax assets		4,970	4,736
Pledged bank deposits		4,694	15,822
Bank and cash balances		1,248,443	1,278,521
		2,770,285	3,182,598
Current Liabilities			
Contract liabilities		145,856	86,656
Creditors and accrued charges	11	1,383,036	1,788,167
Lease liabilities		24,494	–
Amounts due to associates		5,090	5,381
Amounts due to joint ventures		754	736
Current tax liabilities		32,946	37,033
Borrowings		188,078	257,902
Derivative financial liabilities		3,007	12,832
Contingent consideration	12	34,585	21,259
		1,817,846	2,209,966
Net Current Assets		952,439	972,632
Total Assets Less Current Liabilities		2,775,191	2,687,653

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

At April 30, 2020

	<i>Note</i>	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Non-current Liabilities			
Borrowings		466,362	354,153
Lease liabilities		158,162	–
Contingent consideration	12	97,458	113,004
Deferred tax liabilities		63,519	65,193
Long term payable		3,631	–
		789,132	532,350
NET ASSETS		1,986,059	2,155,303
Capital and Reserves			
Share capital	13	61,901	61,901
Reserves		1,777,868	1,920,974
Equity attributable to owners of the Company		1,839,769	1,982,875
Non-controlling interests		146,290	172,428
TOTAL EQUITY		1,986,059	2,155,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2020

	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, 2019 (Audited)	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
Adjustments on initial application of HKFRS 16 (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At November 1, 2019 (Restated)	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
Total comprehensive income for the period	-	-	-	-	-	-	1,155	-	-	8,949	(65,217)	24,123	(20,990)	(1,171)	(22,161)
Recognition of equity-settled share-based payments	-	-	-	-	73	-	-	-	-	-	-	-	73	-	73
Dissolution of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	279	279
Capital contribution from non-controlling interests	-	-	-	43	-	-	-	-	-	-	-	-	43	258	301
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,811)	(10,811)	(21,537)	(32,348)
2019 final dividend	-	-	-	-	-	-	-	-	-	-	-	(111,421)	(111,421)	-	(111,421)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,968)	(3,968)
At April 30, 2020 (Unaudited)	61,901	776,596	854	(11,702)	2,600	(419,083)	29,927	3,740	(6,625)	(2,772)	(72,452)	1,476,785	1,839,769	146,290	1,986,059

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

For the six months ended April 30, 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	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At November 1, 2018 (Audited)	61,760	768,871	864	(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	-	-	-	-	-	-	-	-	(244)	-	(11,001)	(11,245)	(123)	(11,368)
At November 1, 2018 (Restated)	61,760	768,871	864	(11,745)	3,434	(419,083)	27,696	3,740	(244)	(20,500)	1,486,413	1,901,196	85,017	1,986,213
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(19)	42,912	123,042	165,935	(2,439)	163,496
Shares issued at premium	126	5,939	-	-	-	-	-	-	-	-	-	6,065	-	6,065
Exercise of equity-settled share-based payments	-	1,043	-	-	(1,043)	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	53	-	-	-	-	-	-	53	-	53
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	50,982	50,982
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,598	3,598
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(210)	(210)	210	-
Transfer	-	-	-	-	-	-	267	-	-	-	(267)	-	-	-
2018 final dividend	-	-	-	-	-	-	-	-	-	-	(111,394)	(111,394)	-	(111,394)
At April 30, 2019 (Unaudited)	61,886	775,853	864	(11,745)	2,444	(419,083)	27,963	3,740	(263)	22,412	1,497,584	1,961,645	137,368	2,099,013
Representing:														
2019 interim dividend proposed											55,708			
Others											1,441,876			
Retained earnings at April 30, 2019 (Unaudited)											1,497,584			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended April 30, 2020

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash generated from operating activities	118,349	166,255
Net cash used in investing activities	(10,019)	(176,809)
Net cash (used in) generated from financing activities	(106,139)	272,857
Net increase in cash and cash equivalents	2,191	262,303
Cash and cash equivalents at beginning of the period	1,272,139	863,937
Effect of foreign exchange rate changes	(32,322)	14,574
Cash and cash equivalents at end of the period	1,242,008	1,140,814

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bank and cash balances	1,242,008	1,140,814

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial instruments which are carried at their fair values.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual accounts for the year ended October 31, 2019 except as stated below.

New and revised HKFRSs effective and adopted by the Group

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on November 1, 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs and Interpretations.

The Group has initially adopted HKFRS 16 Leases from November 1, 2019. A number of other new standards are effective from November 1, 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)–Int 4 Determining Whether an Arrangement Contains a Lease, HK(SIC)–Int 15 Operating Leases–Incentives and HK(SIC)–Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at November 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)–Int 4 Determining Whether an Arrangement Contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after November 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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

New and revised HKFRSs effective and adopted by the Group (Cont'd)**HKFRS 16 Leases (Cont'd)**

(b) As a lessee

The Group leases many assets, including properties and office equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	April 30, 2020 HK\$'000	November 1, 2019 HK\$'000
Properties	256,913	213,884
Office equipment	2,895	1,071
Total right-of-use assets	259,808	214,955

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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

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

HKFRS 16 Leases (Cont'd)

(b) As a lessee (Cont'd)

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include properties and office equipment. The leases run for a period of 2 years to 70 years. Some leases include an option to renew the lease for an additional 2.5 years after the end of the non-cancellable period. Some leases provide for revision in rent payments that are based on changes in market rent.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at November 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with lease term of 12 months or less.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

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

New and revised HKFRSs effective and adopted by the Group (Cont'd)**HKFRS 16 Leases (Cont'd)**

(d) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position increase/(decrease) as at November 1, 2019 is summarised below.

	November 1, 2019 HK\$'000
Assets	
Right-of-use assets	214,955
Prepaid land lease payments	(80,996)
Total assets	133,959
Liabilities	
Lease liabilities	133,959
Total liabilities	133,959
When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at November 1, 2019. The rates applied ranged from 1.39% to 16.30%.	
	HK\$'000
Operating lease commitment at October 31, 2019 as disclosed in the Group's consolidated financial statements	
– Rented premises	219,223
– Equipment	1,045
	220,268
Less: Recognition exemption for leases with lease term of 12 months or less at transition	(6,342)
Add: Adjustments as a result of a different treatment of extension and termination options	274
Less: Total future interest expenses	(80,241)
Lease liabilities recognised as at November 1, 2019	133,959
Of which are:	
Current lease liabilities	11,957
Non-current lease liabilities	122,002
	133,959

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

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

HKFRS 16 Leases (Cont'd)

(d) Impacts of financial statements (Cont'd)

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK\$259,808,000 of right-of-use assets and HK\$182,656,000 of lease liabilities as at April 30, 2020.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended April 30, 2020, the Group recognised HK\$14,496,000 of depreciation charges and HK\$4,167,000 of finance costs from these leases.

New and revised HKFRSs issued but not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in four reportable segments as follows:

- Exhibition and event marketing services;
- Visual branding experiences;
- Museum, themed environment, interior and retail; and
- Conference and show management.

The Group's main operations and revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 2(b) and 2(d) to the condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

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

	Exhibition and event marketing services Unaudited HK\$'000	Visual branding experiences Unaudited HK\$'000	Museum, themed environment, interior and retail Unaudited HK\$'000	Conference and show management Unaudited HK\$'000	Total Unaudited HK\$'000
For the six months ended April 30, 2020					
Revenue from external customers	1,480,562	81,137	276,193	30,118	1,868,010
Timing of revenue recognition					
At a point in time	1,283,542	81,137	122,046	30,118	1,516,843
Over time	197,020	–	154,147	–	351,167
Inter-segment revenue	106,044	1,542	50,024	–	157,610
Segment profits (losses)	68,495	(5,016)	30,473	685	94,637
Share of losses of associates	(4,207)	–	–	(3,776)	(7,983)
Interest income	2,312	190	204	17	2,723
Interest expenses	13,353	–	247	–	13,600
For the six months ended April 30, 2019					
Revenue from external customers	2,057,309	146,613	205,438	64,697	2,474,057
Timing of revenue recognition					
At a point in time	1,641,445	146,613	67,987	64,697	1,920,742
Over time	415,864	–	137,451	–	553,315
Inter-segment revenue	152,215	646	59,673	–	212,534
Segment profits	171,968	17,113	11,575	12,671	213,327
Share of profits (losses) of associates	5,508	–	–	(3,138)	2,370
Share of losses of joint ventures	(10)	–	–	–	(10)
Interest income	2,236	231	228	52	2,747
Interest expenses	2,430	425	–	536	3,391

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

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

	For the six months ended April 30,	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Revenue		
Total revenue of reportable segments	2,025,620	2,686,591
Elimination of inter-segment revenue	(157,610)	(212,534)
Consolidated revenue	1,868,010	2,474,057
Profit or loss		
Total profits of reportable segments	94,637	213,327
Unallocated amounts:		
Change in remeasurement of contingent consideration	(11,517)	(26,548)
Amortisation of other intangible assets arising from business combinations	(19,855)	(11,840)
Corporate expenses	(31,920)	(22,393)
Consolidated profit before tax	31,345	152,546

(d) Geographical information:

	Revenue	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Greater China	801,918	1,475,477
Malaysia, Singapore, the Philippines and Vietnam	403,835	479,095
Bahrain, Qatar and United Arab Emirates	302,036	228,117
The United Kingdom, the United States and Italy	278,991	211,931
Others	81,230	79,437
Consolidated total	1,868,010	2,474,057

In presenting the geographical information, revenue is based on the locations of the customers.

3. FINANCE COSTS

	For the six months ended April 30,	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Total borrowing costs:		
Interest on bank borrowings	9,433	3,391
Interest expenses on lease liabilities	4,167	–
	13,600	3,391

4. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Profits tax for the period		
Hong Kong	–	2,908
Overseas	11,845	30,770
Over provision in prior periods		
Hong Kong	(127)	(31)
Overseas	(4,738)	(1,160)
	6,980	32,487
Deferred tax	(812)	570
	6,168	33,057

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

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

5. PROFIT FOR THE PERIOD

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of:		
Property, plant and equipment	24,528	26,467
Right-of-use assets	14,496	–
Amortisation of intangible assets:		
Show rights and software	955	387
Arising from business combinations	19,855	11,840
Cost of inventories sold	97,416	105,122
Allowance for bad and doubtful debts	3,569	7,964
Written off of bad debts	3,093	825
Loss on disposal of property, plant and equipment	318	1,579
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	–	1,222
Office premises	4,769	19,109
Equipment	1,639	2,038
Increase in remeasurement of contingent consideration	11,517	26,548
Net exchange loss	1,395	1,487
and crediting:		
Interest income	2,723	2,747
Income from sale of a show right partially	–	7,760
Gain on disposal of property, plant and equipment	911	257
Gain on dissolution of subsidiaries, net	1,575	78
Allowance written back on bad and doubtful debts	5,131	9,444

6. DIVIDENDS PAID

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
2019 final dividend paid HK9.0 cents per share (2019: 2018 final dividend paid HK9.0 cents per share)	111,421	111,394

Notes:

- (a) The 2019 final dividend of the year ended October 31, 2019 of HK\$111,421,000 (2019: 2018 final dividend of HK\$111,394,000) was approved after October 31, 2019 and 2018 respectively. Under the Group's accounting policy, they were charged in the periods in which they were proposed and approved.
- (b) The Board does not recommend the payment of an interim dividend for the six months ended April 30, 2020 (2019: HK4.5 cents per share).

7. EARNINGS PER SHARE

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

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	24,123	123,042

	For the six months ended April 30,	
	2020	2019
	Unaudited	Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,238,010,104	1,236,276,767
Effect of dilutive potential ordinary shares in respect of options	–	254,533
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,238,010,104	1,236,531,300

8. CAPITAL EXPENDITURES

	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Intangible assets HK\$'000
Carrying amount as at November 1, 2019 (Audited)	702,517	–	622,933
Recognition upon initial application of HKFRS 16 (Note 1)	–	214,955	–
Additions (Note)	20,132	60,898	–
Disposals	(1,138)	(331)	–
Depreciation charges/Amortisation	(24,528)	(14,496)	(20,810)
Variable lease payment adjustment	–	4,228	–
Exchange alignment	(16,949)	(5,446)	(3,331)
Carrying amount as at April 30, 2020 (Unaudited)	680,034	259,808	598,792

Note:

During the six months ended April 30, 2020, the Group entered into new lease agreements for 3 to 5 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$60,898,000 of right-of-use assets and HK\$60,898,000 of lease liabilities.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Equity securities, at fair value, unlisted	3,836	3,842

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$698,607,000 (at October 31, 2019: HK\$1,148,933,000), an aging analysis, based on the invoice date and net of allowance, is as follows:

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Less than 91 days	406,135	843,815
91 – 180 days	139,374	184,780
181 – 365 days	113,350	97,427
More than 1 year	39,748	22,911
	698,607	1,148,933

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$424,711,000 (at October 31, 2019: HK\$491,460,000), an aging analysis, based on the date of receipt of goods or services, is as follows:

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Less than 91 days	228,135	366,551
91 – 180 days	98,450	50,627
181 – 365 days	48,081	30,495
More than 1 year	50,045	43,787
	424,711	491,460

12. CONTINGENT CONSIDERATION

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
At beginning of the period/year	134,263	210,586
Exchange alignment	(2,470)	(124)
Acquisition of subsidiaries	–	63,624
Consideration paid for acquisition of a subsidiary	–	(59,543)
Extinguishment gain	–	(88,248)
Settlement in shares of consideration for acquisition of a subsidiary	(279)	(14,900)
Increase in fair value (<i>Note</i>)	11,517	41,820
Transfer to other creditors	(10,988)	(18,952)
At end of the period/year	132,043	134,263
Analysed as:		
Current liabilities	34,585	21,259
Non-current liabilities	97,458	113,004
	132,043	134,263

Note: The contingent consideration relating to the acquisition of subsidiaries is measured at fair value by using the income approach. Included in profit or loss for the period was HK\$11,517,000 (the six months ended April 30, 2019: HK\$26,548,000) an increase in fair value of contingent consideration for the period ended April 30, 2020.

13. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2020 Unaudited	October 31, 2019 Audited	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Ordinary share of HK\$0.05 each				
Authorised:				
At beginning and end of the period/year	2,400,000,000	2,400,000,000	120,000	120,000
Issued and fully paid:				
At beginning of the period/year	1,238,010,104	1,235,196,104	61,901	61,760
Exercise of share options (Note)	–	2,814,000	–	141
At end of the period/year	1,238,010,104	1,238,010,104	61,901	61,901

Note: During the period, nil shares were issued as a result of the exercise of share options of the Company (year ended October 31, 2019: 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).

14. PLEDGE OF ASSETS

At April 30, 2020, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Freehold land and buildings	55,348	55,913
Leasehold land and buildings	113,060	117,152
Pledged bank deposits	4,694	15,822
	173,102	188,887

15. COMMITMENTS

(a) Operating Lease Commitments

At April 30, 2020, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment are payable as follows:

	April 30, 2020		October 31, 2019	
	Rented premises Unaudited HK\$'000	Equipment Unaudited HK\$'000	Rented premises Audited HK\$'000	Equipment Audited HK\$'000
Not later than one year	1,734	97	21,896	395
Later than one year and not later than five years	–	17	54,202	650
Later than five years	–	–	143,125	–
	1,734	114	219,223	1,045

(b) Capital Commitments

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment and other investments		
– contracted but not provided for	10,493	9,645
– authorised but not contracted for	2,238	2,256
	12,731	11,901

The Company did not have any other significant capital commitments as at April 30, 2020.

16. CONTINGENT LIABILITIES

Financial Guarantees issued

At April 30, 2020, the Group has issued the following guarantees:

	April 30, 2020 Unaudited HK\$'000	October 31, 2019 Audited HK\$'000
Performance guarantees		
– secured	140,715	106,513
– unsecured	13,625	26,730
	154,340	133,243
Other guarantees		
– secured	4,164	27,709

At April 30, 2020, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

17. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2020			For the six months ended April 30, 2019		
	Associates	Joint ventures	Related companies	Associates	Joint ventures	Related companies
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exhibition Income	263	–	–	2,525	4	–
Sub-contracting fee paid	12,165	–	–	8,619	–	137
Management fee income	2,401	–	–	2,981	–	–
Property rental income	223	–	–	226	–	–
Property rental expenses	–	–	255	–	–	364
Other income	394	9	280	352	–	275

	At April 30, 2020			At October 31, 2019		
	Associates	Joint ventures	Related companies	Associates	Joint ventures	Related companies
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables	23,386	133	113	29,498	137	71
Payables	5,090	754	38	5,381	736	201

Note: All transactions were carried out at cost plus a percentage of mark-up.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended April 30, 2020 (2019: HK4.5 cents per share).

BUSINESS REVIEW AND PROSPECTS

Results

A re-escalation of US-China trade disputes and global geopolitical tensions began the Group's financial year with dampened expectations of slower growth. Since January 2020 the COVID-19 outbreak has resulted in lockdowns in almost all our markets. Consequently, to an unprecedented degree, the global Meetings, Incentives, Conventions and Exhibitions ('MICE') industry has been disrupted to the extent that it is in a dormant state. The Group has swiftly implemented extensive countermeasures to reduce costs. Securing liquidity and optimising working capital are our top priorities to enable us to weather this crisis.

Group revenue for the six months ended April 30, 2020 (also referred to as 'the period under review' or 'the first half of this year' in 'Business Review and Prospects') was HK\$1,868 million, a 24.5% decrease from the HK\$2,474 million of the previous corresponding period.

Profit from core operations was HK\$84 million (2019: HK\$192 million), a 56.3% decrease compared with the previous corresponding period. Profit attributable to owners of the Company was HK\$24 million (2019: HK\$123 million).

Basic earnings per share is HK1.95 cents, compared to HK9.95 cents in the previous corresponding period.

In view of the exceptional circumstances of a deteriorating operating environment and continued uncertainty, we believe that decisive measures are required for the protection of our business. As a result, the Board does not recommend payment of an interim dividend. We believe this to be a prudent and responsible measure to preserve cash for the long-term financial condition of the Group and to protect our shareholders by ensuring the Company remains in a good financial position.

Review of Operations

Prior to the COVID-19 outbreak our operational results were on target. However, the outbreak caused significant disruption to and negatively impacted our business in all our markets on an unprecedented scale. Public health measures including compulsory quarantines, lockdowns, bans on mass gatherings and requirements for social distancing have resulted in the postponement or cancellation of most of the local and international events and trade shows.

As the full implications of COVID-19 became apparent in late January this year – initially affecting operations in mainland China, Hong Kong and Singapore – the Group implemented its business continuity plan. This included the creation of an internal framework for decision-making, actions to support clients and staff, and stringent cost reduction measures. Later these actions were extended to more offices as COVID-19 developed into a global pandemic impacting all our markets. In response, cost reduction measures were implemented across the board. Further salary reductions were applied to the senior management team to alleviate the pressure. Stringent credit control and cash preservation measures were also put in place to protect the Group's cash position and ensure business continuity. The effect of these measures was offset by increased distribution costs and administrative expenses, mainly due to the first-time inclusion of a full six months of financials of two newly acquired businesses, Local Projects, LLC and Infinity Marketing Team, LLC, in the middle of last year.

Performance by business segment:

- Exhibition and Event Marketing Services recorded a 28.0% decrease in revenue to HK\$1,481 million (2019: HK\$2,057 million).
- Visual Branding Experiences recorded a 44.9% decrease in revenue to HK\$81 million (2019: HK\$147 million).
- Museum, Themed Environment, Interior and Retail recorded a 34.6% increase in revenue to HK\$276 million (2019: HK\$205 million).
- Conference and Show Management recorded a 53.8% decrease in revenue to HK\$30 million (2019: HK\$65 million).

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services

In the wake of the pandemic, the number of tradeshows serviced by the Group as the official service provider was significantly reduced by nearly 63% as compared with the previous corresponding period.

Many exhibitions and events that are confirmed contracts and were originally to be held during the period under review have been deferred to the second half of the year or to next year. Others were cancelled outright, such as the Ultra Abu Dhabi electronic music festival; the Mobile World Congress Barcelona; and I Light Singapore.

Prior to the outbreak of COVID-19, the Group continued to deliver some major tradeshows during the same period, including Vietwater in Ho Chi Minh City; e-Expo and Auto HK, the Hong Kong Food Festival and the Hong Kong Mega Showcase; Automechanika Shanghai, Salone del Mobile.Milano Shanghai and Marintec China in Shanghai; Singapore Airshow and Singapore Motorshow; Taipei Dangdai international art fair; the Thailand International Motor Expo; the Myanmar International Textile and Garment Industry Exhibition and the Yangon International Motor Show.

At the second China International Import Expo in Shanghai in November 2019, we repeated a past resounding success to deliver several contracts for DuPont, the Fung Group, GE, PwC and many other clients.

In Las Vegas in January at CES – the world-famous international consumer electronics and technology show – we completed activations for Dayton, Huawei, Koito, Kyocera and Sekisui House.

Notable events the Group delivered in Asia during the first half of this year include: the JD.com's JD Discovery event in Beijing; the WGC-HSBC Golf Champions in Shanghai, the Chinese New Year event in Daming Palace National Heritage Park in Xi'an; the Home Team Festival, Marina Bay Singapore Countdown, and the National Steps Challenge in Singapore. In the Middle East, we completed the Mubadala World Tennis Championship and celebratory events for the UAE National Day in Abu Dhabi. Several events were completed in Bahrain, including the 18th Arab Businessmen and Investors Conference, the Bahrain Food Festival, Bahrain Sea Festival, and Bahrain National Day festivities in Manama.

Our suite of total brand activation services was called upon by diverse clients worldwide, including Alibaba Group, Audi, BMW, DiDi, Dongfeng Fengshen, Google, Gucci, HP, Intel, Lexus, Maserati, MAN Energy Solutions, Rolls-Royce, Trumpchi and Yonex.

The construction works of several national pavilions of Expo 2020 Dubai are still ongoing. Though the Expo's opening has been postponed to October 2021, the organising committee and clients have requested that the pavilions' constructions be completed by end of 2020.

During the period under review, the Group's expertise has been called upon for pandemic control projects. In Singapore, we have joined in transforming existing exhibition spaces into Community Care Facilities (CCFs) for recovering COVID-19 patients. These works included the delivery of 960 cubicles to a 10,000 square-metre CCF at the Singapore EXPO Convention and Exhibition Centre and MAX Atria; nearly 5,000 bunks and beds to temporary sleeping quarters at the Changi Exhibition Centre; and nearly 2,000 bunks and beds, tentage and shelters for another sleeping quarters at the National Service Resort and Country Club in Kranji.

Going virtual is one obvious option for events and conferences while under lockdown or restrictions on public gatherings. The demand for digital solutions for online and virtual events has significantly increased and is being fulfilled by our digital enablement capabilities. Our digital solutions include interactive experiences, data analytics, event technology, social media, and augmented and virtual reality solutions.

During the period under review, the Group worked with a growing number of clients to deliver their virtual events. We have been engaged by Huawei to transform their regular Huawei Developer Conference into a virtual event, creating an engaging new platform for global developers to exchange ideas. We delivered an immersive broadcast for the two-day event which attracted over 10 million interactions and views. We also delivered a virtual launch event for Chinese marque Maple's first car model. Our work ranged from concept development and production of virtual elements including augmented reality, to broadcasts across a range of key online media platforms.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Review of Operations (Cont'd)

Exhibition and Event Marketing Services (Cont'd)

Other virtual events in the second half of the year include the DBS Asian Insights Conference in Singapore; Alibaba's virtual conference, China Mobile's the 5th Global Virtual • Reality Conference, the China International Fair for Trade in Services' virtual exhibition, Panasonic's virtual product launch event and various Schneider Electric's virtual conferences in China. Apart from these major events, we are continuing to provide a full suite of digital and event management services to our clients.

In May, we formed a strategic alliance with Migu Video Technology ('Migu') to create new VR virtual events and exhibitions. Migu is a wholly owned subsidiary of China Mobile's Migu Culture Technology Co., Ltd. It specialises in online video services, offering customers diversified internet-based audio and video content. The alliance takes Pico+'s deep expertise in exhibitions, event marketing, digital technology, experiential marketing, integrated communications and big data marketing, and combines them with Migu's focus in content production, broadcasting, operations and distribution, and immersive experiences.

As to exhibition hall management projects, after a slight delay, the Jinjiang International Convention and Exhibition Centre in Fujian Province, China, is scheduled to open in late June 2020. Commemorating the opening will be the venue's inaugural event, the 27th Quanzhou International Automobile Exhibition. In Myanmar, after achieving notable results hosting the country's first-ever e-sports tournament last year, our Yangon Convention Centre won several new contracts for hosting further e-sports events. However, these were inevitably postponed amid the COVID-19 crisis.

Visual Branding Experiences

Though affected by the pandemic, the period under review still saw the Group completing a fair proportion of year-round contracts in China for automotive clients such as Bentley, Changan Mazda, GAC NE, General Motors, Infiniti, Jaguar Land Rover, Lexus, Lincoln, Maxus, Mercedes-Benz, Nissan, Rolls-Royce, SAIC Volkswagen and Toyota.

Other brand solutions projects in China commenced in the first half of the year included Ajisen Ramen, Alibaba's global logistics platform Cainiao, DiDi, Gulf Oil, Haidilao Hot Pot, and two-wheel electric vehicle manufacturer Yadea.

Besides the contracts in China, we completed a substantial part of various ongoing brand signage contracts for several international brands, namely for Infiniti for the Asia Pacific region, Europe and the Middle East; Cadillac and General Motors for the Middle East; Mercedes-Benz signage for India; and Bentley, Jaguar, Peugeot and Rolls-Royce for Asia Pacific.

In the second half of the year, we shall commence work on signage for Fiat Chrysler Automobiles, Gulf Oil and SAIC Hongyan, and on interior fit-out and signage for Sinopec in China.

We remain committed to pursuing client-based diversification strategies which enable us to broaden our revenue streams from a range of industry sectors across a wide geographical area.

Museum, Themed Environment, Interior and Retail

The overall impact of the pandemic on this business segment was relatively more contained and mostly limited to the postponement of certain projects, while several other projects were proceeding or completed as planned.

During the period under review, we completed a major production and operation services contract for the sports brand Li Ning, encompassing more than 500 retail locations in first-tier cities such as Beijing and Shanghai and several provinces across China.

In Phú Quốc Island, Vietnam, we completed a contract for designing and creating the Aladdin Theatre and Dragon Spell Dark Ride for the Vinpearl Land Amusement Park.

A number of other major themed environment contracts are ongoing. Our design and build contracts for a Hollywood movie theme park in Beijing are on track and scheduled to be completed by December 2020. For the same theme park brand in Osaka, the scope of service of our existing design and build contract has been expanded to include delivery of scenic and themed elements. The whole contract is expected to be completed during the second half of the financial year.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Review of Operations (Cont'd)

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

In China, our contracts for various Sunac theme parks encountered varying degrees of delay. Project completion dates for the parks in Chongqing and Jinan were postponed to 2022. However, the contract for the park in Wuxi remains unchanged, with completion set for the end of 2021 as scheduled.

Our contracts with a popular theme park at Penny's Bay, Hong Kong, are expected to be completed by December 2020.

Our large-scale museum project in Oman is progressing toward a target completion by end of 2020.

In Bangkok, design and construction work on a learning centre for the King Prajadhipok's Institute, undertaken by our key associate Pico (Thailand) Public Company Limited, is expected to be completed during the second half of the year.

In Singapore, while the STAR WARS Identities travelling exhibition originally to be showcased at the ArtScience Museum has been cancelled, our contract for the Bird Park and its arrival entrance in the Mandai precinct is expected to be completed during the second half of the year.

Conference and Show Management

Singapore's implementation of circuit breaker led to the postponement of several shows originally scheduled for the first half of this year. Among these, the 7th SG-ANZICS Asia Pacific Intensive Care Forum and PetExpo Singapore were postponed to April 2021.

The period under review saw the delivery of only the 16th Conference of the Asian Crystallographic Association, the 17th International Conference on Biomedical Engineering and Food Japan in Singapore, and Philconstruct Manila.

We have responded quickly to lockdowns and travel restrictions by offering customised digital and virtual event services to our organiser clients in this business segment. In this vein, the Group's professional services are already transforming the Incentive Travel and Conventions Meetings, China, TechLaw.Fest and FUTR Asia Summit from live to virtual events to be held in the second half of the financial year.

We expect recovery to be slow in this segment as exhibitors, sponsors and delegates require time to attend to their immediate business needs before they can resume plans for exhibitions, events and conferences. We remain close to our clients by exploring ways to introduce our digital and virtual solutions and paving the way for further comprehensive hybrid event offerings when normal business resumes.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Liquidity and Financial Information

As at period end date, the total net tangible assets attributable to owners of the Company of the Group decreased by 8.8% to about HK\$1,241 million (at October 31, 2019: HK\$1,360 million).

Bank and cash balances amounted to HK\$1,253 million (at October 31, 2019: HK\$1,294 million), with HK\$5 million pledged bank deposits (at October 31, 2019: HK\$16 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK\$599 million (at October 31, 2019: HK\$682 million).

Total bank borrowings were HK\$654 million at April 30, 2020 (at October 31, 2019: HK\$612 million). They are mainly denominated in Hong Kong dollars, United States dollars, New Taiwan dollars and Korean won, and the interest is charged on fixed and floating rate basis. The Group's bank loans of HK\$174,000 (at October 31, 2019: HK\$185,000) carry fixed interest rate.

	April 30, 2020 Unaudited HK\$' million	October 31, 2019 Audited HK\$' million
Bank and cash balances	1,248	1,278
Pledged bank deposits	5	16
Less: Bank borrowings	(654)	(612)
Net cash balance	599	682

For the six months ended April 30, 2020, the Group invested HK\$20 million (year ended October 31, 2019: HK\$41 million) in property, plant and equipment; nil (year ended October 31, 2019: HK\$388 million) in intangible assets. All these were financed from internal resources and bank borrowings.

At April 30, 2020, the Group has HK\$466 million (at October 31, 2019: HK\$354 million) long-term borrowings. The current ratio was 1.52 times (at October 31, 2019: 1.44 times); the liquidity ratio was 1.50 times (at October 31, 2019: 1.42 times) and the gearing ratio was 10.15% (at October 31, 2019: 7.23%).

	April 30, 2020	October 31, 2019
Current ratio (current assets/current liabilities)	1.52 times	1.44 times
Liquidity ratio (current assets – excluding inventories/current liabilities)	1.50 times	1.42 times
Gearing ratio (long term borrowings/total assets)	10.15%	7.23%

Although our subsidiaries are located in many different countries of the world, over 68% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars and United States dollars, and the remaining 32% were denominated in other Asian currencies and European currencies. We have already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the period. The Group 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 GBP14 million (at October 31, 2019: GBP21 million).

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Employees and Emoluments Policies

At April 30, 2020, the Group employs a total of over 2,400 full time employees engaged in project management, design, production, sales and marketing and administration, and is supported by a large pool of subcontractors and suppliers. The staff costs incurred in the period was HK\$437 million (six months ended April 30, 2019: HK\$453 million).

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

Prospects

Amid uncertainty about when the COVID-19 pandemic will end, it is impossible to project an outlook for the full year.

Nevertheless, with the reopening of the China market from May, many major shows are now scheduled in the second half of the year. These shows include Auto China and Beijing InfoComm China in Beijing, Vinexpo Shanghai, China International Import Expo in Shanghai, and other motor shows in various Chinese cities. Given the fluidity of the COVID-19 situation, the possibility of further changes to these events' status cannot be dismissed. However, we are cautiously optimistic that the reopening of the China market will enable the Group to recover more quickly.

Some of the major exhibitions which were originally scheduled for 2020 and have been deferred to the next financial year or 2021 are InfoComm Southeast Asia in Bangkok; Mining Vietnam in Hanoi; Art Central in Hong Kong, the Jewellery and Gem WORLD Hong Kong and Vinexpo Hong Kong; the China International Bake and Shop Expo in Nanjing; ITMA Asia and CITME in Shanghai; and Asia Fruit Logistica and Singapore Garden Festival in Singapore.

This year, the Group will continue to fulfill the final year of its five-year contract with the EU Business Avenues in South East Asia programme, an EU-funded initiative to help European companies establish long-lasting business collaborations in the region.

The Tokyo 2020 Olympics and Paralympic Games have confirmed their postponements for a year. The Group is currently working closely with the organisers, and our clients and partners to devise plans to cope with the change.

With Expo Dubai's deferment to 2021, the Group has several pavilion interior fit-out contracts in the tendering process, and we thus expect further contracts to be confirmed.

A number of multiple-year contracts are underway on which progress is being affected and delays in completion are expected. These projects include the provision of landscape design and display services for the Beijing Daxing International Airport, which is expected to continue until 2021, and the Rainforest Lumina at Singapore Zoo, which will run until 2022.

Despite the extremely challenging current situation, we have continued to win new contracts. Among them is the design and build of an indoor waterpark for HomeTeamNS in Singapore, which is expected to complete in 2021.

Our ongoing digital transformation and innovation strategy has been instrumental to driving new business – particularly in the Visual Branding Experiences and Museum, Themed Environment, Interior and Retail segments. We continue to pursue opportunities in retail intelligent showrooms, corporate digital showrooms, experience centres and galleries with digital and technology content and installations.

In Hong Kong, we won the contract for Sik Sik Yuen Gallery at the Wong Tin Sin Temple. Our scope of service will include content development, interactive experience and fit-out, with a target completion date in early 2021.

We also won the contract for multimedia showrooms for HYCAN, the electric vehicle brand launched by a GAC-NIO joint venture in Guangzhou and Shanghai. The contract is scheduled to be completed in the second half of this financial year. Our existing contract for the Shanghai Volkswagen Brand Experience Centre will continue in the second half of the year.

We are using the current situation as an opportunity to review our business strategies, rationalise our operational structure, and further streamline operational processes to increase productivity and cost efficiency. We have also accelerated our marketing efforts to provide digital strategies and solutions, for our clients during the ongoing pandemic and the post-COVID-19 era. The digitalisation strategy we started four years ago is now becoming an important revenue generator and competitive edge for growing our business.

For the remainder of the year, we expect to continue experiencing some negative top-line financial impact. However, the Group's balance sheet and financial resources remain sufficiently strong to enable us to navigate through this pandemic crisis and resume our growth post COVID-19. We continue to review and act decisively by enhancing our business continuity plans, ensuring minimal disruption to our clients and continued safe operation to our employees to the greatest possible degree.

DIRECTORS' INTERESTS IN SHARES

At April 30, 2020, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of Directors		Number of shares/underlying shares held			Approximate percentage of shareholding of the Company
		Personal interests	Other interests	Total interests	
Mr. Lawrence Chia Song Huat	(Note 1)	12,326,000	–	12,326,000	1.00%
Ms. Jean Chia Yuan Jiun	(Note 2)	475,000	–	475,000	0.04%
Mr. Mok Pui Keung	(Note 3)	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:

- (1) The personal interest of Mr. Lawrence Chia Song Huat represents the interest in 10,926,000 shares and interest in 1,400,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
- (2) The personal interest of Ms. Jean Chia Yuan Jiun represents the interest in 475,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
- (3) The personal interest of Mr. Mok Pui Keung represents the interest in 662,000 shares and interest in 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 Annual General Meeting of the Company held on March 22, 2012, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") under which the Directors of the Company may grant options to eligible persons ("Eligible Persons") to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the Scheme will remain valid for a period of 10 years from the date of its adoption.

The Company was authorised to grant share options under the Scheme for subscription of up to a total of 121,342,410 shares, representing approximately 10% of the issued share capital of the Company as at the date of adoption. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to Eligible Persons, which must be a business day; the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and the nominal value of the shares on the offer date.

SHARE OPTIONS (CONT'D)

(i) Outstanding options

Details of outstanding options over new shares of the Company at beginning and at end of the reporting period which have been granted under the Scheme are as follows:

		Outstanding at November 1, 2019	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2020
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Note 3)	1,400,000	–	–	–	1,400,000
Ms. Jean Chia Yuan Jiun	(Note 3)	475,000	–	–	–	475,000
Mr. Mok Pui Keung	(Note 3)	46,000	–	–	–	46,000
	(Note 4)	30,000	–	–	–	30,000
	(Note 5)	78,000	–	–	–	78,000
Total Directors		2,029,000	–	–	–	2,029,000
<i>Category 2: Employees</i>						
	(Note 1)	138,000	–	–	–	138,000
	(Note 2)	284,000	–	–	–	284,000
	(Note 3)	1,649,000	–	–	–	1,649,000
	(Note 4)	382,000	–	–	–	382,000
	(Note 5)	698,000	–	–	–	698,000
Total employees		3,151,000	–	–	–	3,151,000
Total all categories		5,180,000	–	–	–	5,180,000

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.

SHARE OPTIONS (CONT'D)**(ii) Valuation of share options**

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

Date of grant	Exercise price HK\$	Based on	Expected volatility %	Weighted average share price HK\$	Risk-free rate %	Annual dividend yield %
		expected life of share options Year(s)				
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

- (2) Expected volatility was determined by using the historical volatility of the Company's share price over the previous three to five years. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.
- (3) The Group recognised the total expenses of HK\$73,000 for the six months ended April 30, 2020 (six months ended April 30, 2019: HK\$53,000) in relation to share options granted by the Company.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At April 30, 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interest disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in shares and underlying shares of the Company

Name of Shareholders	Number of shares/ underlying shares held	Percentage of issued share capital
Pine Asset Management Limited	462,167,186	37.33%
FMR LLC	123,789,010	10.00%
APG Asset Management N.V. <i>(Note)</i>	74,422,000	6.01%
APG Groep N.V. <i>(Note)</i>	74,422,000	6.01%
APG Investments Asia Limited <i>(Note)</i>	74,422,000	6.01%
Stichting Depositary APG Emerging Markets Equity Pool <i>(Note)</i>	74,422,000	6.01%
Stichting Pensioenfond ABP <i>(Note)</i>	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 Pensioenfond ABP, which is also a participating investor in the Pool.

Save as disclosed herein, the Company has not been notified of any other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at April 30, 2020.

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

During the period ended April 30, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended April 30, 2020, the Company has complied with the code provisions (the “CG Code”) as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for the following deviation:

CG Code A2.1 stipulates that the role of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Given the current corporate structure, there is no separation between the roles of the Chairman and the Chief Executive Officer. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. There are four Independent Non-Executive Directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the period ended April 30, 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board
Leung Hoi Yan
Company Secretary

Hong Kong, June 22, 2020