

# Pico Far East Holdings Limited

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

Interim Report 2021



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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, 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2021

	Note	For the six months ended April 30,	
		2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Revenue	3	1,875,768	1,868,010
Cost of sales		(1,339,421)	(1,251,877)
Gross profit		536,347	616,133
Other income		79,658	47,257
Distribution costs		(287,611)	(311,990)
Administrative expenses		(229,737)	(264,662)
Impairment losses for trade and other debtors		(4,732)	(1,531)
Other operating expenses		(1,838)	(907)
Profit from core operations		92,087	84,300
Change in remeasurement of contingent consideration		(1,299)	(11,517)
Amortisation of other intangible assets arising from business combinations		(19,793)	(19,855)
Profit from operations		70,995	52,928
Finance costs	4	(9,653)	(13,600)
Share of losses of associates		(10,064)	(7,983)
Profit before tax		51,278	31,345
Income tax expense	5	(7,411)	(6,168)
Profit for the period	6	43,867	25,177
Attributable to:			
Owners of the Company		57,523	24,123
Non-controlling interests		(13,656)	1,054
		43,867	25,177
<b>EARNINGS PER SHARE</b>	8		
Basic		4.65 cents	1.95 cents
Diluted		4.65 cents	1.95 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2021

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	43,867	25,177
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	50,808	(46,655)
Share of other comprehensive income of associates	1,206	(9,632)
Exchange differences reclassified to profit or loss on dissolution of subsidiaries	29	–
Cash flow hedges		
Net movement in hedging reserves	7,230	8,949
Fair value gain on transfer of property, plant and equipment to investment properties	33,375	–
Other comprehensive income for the period, net of tax	92,648	(47,338)
Total comprehensive income for the period	136,515	(22,161)
Attributable to:		
Owners of the Company	150,024	(20,990)
Non-controlling interests	(13,509)	(1,171)
	136,515	(22,161)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2021

	<i>Note</i>	<b>April 30, 2021 Unaudited HK\$'000</b>	October 31, 2020 Audited HK\$'000
<b>Non-current Assets</b>			
Investment properties		<b>225,104</b>	131,541
Property, plant and equipment	9	<b>641,460</b>	696,061
Right-of-use assets	9	<b>238,011</b>	260,200
Intangible assets	9	<b>539,319</b>	558,968
Interests in associates		<b>111,619</b>	116,600
Financial assets at fair value through other comprehensive income ("FVTOCI")	10	<b>3,867</b>	3,867
Deferred tax assets		<b>3,791</b>	3,346
Loan due from an associate		<b>8,747</b>	8,988
		<b>1,771,918</b>	1,779,571
<b>Current Assets</b>			
Inventories		<b>18,126</b>	23,088
Contract assets		<b>844,236</b>	697,867
Financial assets at fair value through profit or loss ("FVTPL")		<b>27,876</b>	–
Derivative financial assets	11	<b>9,637</b>	8,138
Debtors, deposits and prepayments	12	<b>1,016,431</b>	924,222
Amounts due from associates		<b>18,780</b>	21,885
Amounts due from joint ventures		<b>273</b>	270
Current tax assets		<b>4,442</b>	6,093
Pledged bank deposits		<b>6,883</b>	1,962
Bank and cash balances		<b>1,193,214</b>	1,301,844
		<b>3,139,898</b>	2,985,369
<b>Current Liabilities</b>			
Contract liabilities		<b>255,898</b>	136,541
Creditors and accrued charges	13	<b>1,439,226</b>	1,516,246
Amounts due to associates		<b>1,970</b>	1,907
Amounts due to joint ventures		<b>1,012</b>	1,000
Current tax liabilities		<b>16,873</b>	21,210
Borrowings		<b>335,256</b>	271,671
Lease liabilities		<b>20,967</b>	26,462
Contingent consideration	14	<b>26,008</b>	–
		<b>2,097,210</b>	1,975,037
<b>Net Current Assets</b>		<b>1,042,688</b>	1,010,332
<b>Total Assets Less Current Liabilities</b>		<b>2,814,606</b>	2,789,903

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

At April 30, 2021

	<i>Note</i>	<b>April 30, 2021 Unaudited HK\$'000</b>	October 31, 2020 Audited HK\$'000
<b>Non-current Liabilities</b>			
Borrowings		<b>345,214</b>	393,933
Lease liabilities		<b>135,674</b>	152,791
Contingent consideration	14	<b>54,667</b>	78,961
Long-term payable		–	3,678
Deferred tax liabilities		<b>75,376</b>	63,027
		<b>610,931</b>	692,390
<b>NET ASSETS</b>		<b>2,203,675</b>	2,097,513
<b>Capital and Reserves</b>			
Share capital	15	<b>61,908</b>	61,901
Reserves		<b>2,015,737</b>	1,896,073
<b>Equity attributable to owners of the Company</b>		<b>2,077,645</b>	1,957,974
<b>Non-controlling interests</b>		<b>126,030</b>	139,539
<b>TOTAL EQUITY</b>		<b>2,203,675</b>	2,097,513

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2021

	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, 2020 (Audited)	61,901	776,655	854	(11,702)	2,726	(419,083)	30,403	3,740	(6,597)	(7,230)	23,706	1,502,601	1,957,974	139,539	2,097,513
Total comprehensive income for the period	-	-	-	-	-	-	-	33,375	-	7,230	51,896	57,523	150,024	(13,509)	136,515
Shares issued at premium	7	135	-	-	-	-	-	-	-	-	-	-	142	-	142
Exercise of equity-settled share-based payments	-	20	-	-	(20)	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	459	-	-	-	-	-	-	-	-	-	459
Transfer	-	169	-	-	(169)	-	2,800	-	-	-	-	(2,800)	-	-	-
2020 final dividend	-	-	-	-	-	-	-	-	-	-	-	(30,954)	(30,954)	-	(30,954)
<b>At April 30, 2021 (Unaudited)</b>	<b>61,908</b>	<b>776,979</b>	<b>854</b>	<b>(11,702)</b>	<b>2,996</b>	<b>(419,083)</b>	<b>33,203</b>	<b>37,115</b>	<b>(6,597)</b>	<b>-</b>	<b>75,602</b>	<b>1,526,370</b>	<b>2,077,645</b>	<b>126,030</b>	<b>2,203,675</b>

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

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 FV/TOCI reserve HK\$'000	Cash flow hedging reserve HK\$'000	Translation reserve HK\$'000	Retained earnings 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	2,155,303
Adjustments on initial application of HKFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	-
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	2,155,303
Total comprehensive income for the period	-	-	-	-	-	-	1,155	-	-	8,949	(55,217)	24,123	(1,171)
Recognition of equity-settled share-based payments	-	-	-	-	73	-	-	-	-	-	-	-	73
Dissolution of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	279
Capital contribution from non-controlling interests	-	-	-	43	-	-	-	-	-	-	-	-	43
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,811)	(10,811)
2019 final dividend	-	-	-	-	-	-	-	-	-	-	-	(111,421)	(111,421)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(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	1,986,059

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended April 30, 2021

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash (used in) generated from operating activities	(101,930)	118,349
Net cash used in investing activities	(2,477)	(10,019)
Net cash used in financing activities	(29,479)	(106,139)
Net (decrease) increase in cash and cash equivalents	(133,886)	2,191
Cash and cash equivalents at beginning of the period	1,293,928	1,272,139
Effect of foreign exchange rate changes	24,517	(32,322)
Cash and cash equivalents at end of the period	1,184,559	1,242,008

## ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bank and cash balances	1,184,559	1,242,008



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2021

### 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.

In the current 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, 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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, 2020. Except for the adoption of amendment to HKFRS 16, a number of new or amended standards are effective from November 1, 2020 but they do not have a material effect on the Group's condensed consolidated financial statements.

#### **Amendment to HKFRS 16 COVID-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has adopted the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 6). There is no impact on the opening balance of equity at November 1, 2020.

## 2. FAIR VALUE MEASUREMENTS

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

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 disclosures of fair value measurements use a fair value hierarchy that categorises into three levels 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.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost of the carrying amount which is a reasonable approximation of fair value.

### (a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At April 30, 2021</b>				
Recurring fair value measurements:				
Financial assets				
Derivatives				
Derivatives financial assets	–	–	9,637	9,637
Financial assets at FVTOCI				
Equity securities, at fair value, unlisted	–	–	3,867	3,867
Financial assets at FVTPL				
Equity securities, at fair value, unlisted	–	27,876	–	27,876
	–	27,876	13,504	41,380
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration	–	–	80,675	80,675
	–	–	80,675	80,675

## 2. FAIR VALUE MEASUREMENTS (CONT'D)

## (a) Disclosures of level in fair value hierarchy (Cont'd)

	Fair value measurements using:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At October 31, 2020				
Recurring fair value measurements:				
Financial assets				
Derivatives				
Derivatives financial assets	–	–	8,138	8,138
Financial assets at FVTOCI				
Equity securities, at fair value, unlisted	–	–	3,867	3,867
	–	–	12,005	12,005
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration	–	–	78,961	78,961
	–	–	78,961	78,961

## (b) Reconciliation of financial assets and financial liabilities measured at fair value based on Level 3

Reconciliation of the fair value measurement categorised within Level 3 of the fair value hierarchy are set out in Notes 10, 11 and 14 to the condensed consolidated interim financial statements.

The total gains or losses for the period recognised in other comprehensive income are presented in fair value changes of financial assets at FVTOCI of condensed consolidated statement of comprehensive income.

The total gains or losses for the period recognised in profit or loss including those for assets and liabilities held at end of reporting period are presented in other income in the condensed consolidated income statement.

## (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at April 30, 2021

The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

At April 30, 2021, the fair value of the derivative financial assets was estimated by management using Black-Scholes option pricing model 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.

At April 30, 2021, financial assets at FVTOCI comprised only small investments not traded in an active market, and the fair value was estimated by management using discounted cash flow method.

At April 30, 2021, the fair values of financial assets at FVTPL were based on the quoted price provided by the financial institution.

At April 30, 2021, the contingent consideration was estimated by management 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.

## 2. FAIR VALUE MEASUREMENTS (CONT'D)

## (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at April 30, 2021 (Cont'd)

## Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value	
					April 30, 2021 Unaudited HK\$'000	October 31, 2020 Audited HK\$'000
					Assets/(Liabilities)	
Derivative financial assets	Black-Scholes option pricing model – income approach	Discount rate	13.00% (October 31, 2020: 13.00%)	Decrease	9,637	8,138
		Growth rate	4.00% (October 31, 2020: 4.00%)	Increase		
Equity securities, at fair value, unlisted	Discounted cash flows	Discount rate	18.00% (October 31, 2020: 18.00%)	Decrease	3,867	3,867
		Discount of lack of marketability	21.00% (October 31, 2020: 21.00%)	Decrease		
		Discount rate for lack of control	11.00% (October 31, 2020: 11.00%)	Decrease		
Contingent consideration	Income approach	Discount rate	14.00% (October 31, 2020: 14.00%)	Decrease	(80,675)	(78,961)
		Probability – adjusted EBITDA/EBIT	US\$50,000 to US\$6,665,000; GBP992,000 to GBP1,091,000 (October 31, 2020: US\$347,000 to US\$6,665,000; GBP992,000 to GBP1,091,000)	Increase		

There were no changes in the valuation techniques used.

### 3. REVENUE AND SEGMENT INFORMATION

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

- Exhibition, event and brand activation;
- Visual branding activation;
- Museum and themed entertainment (formerly Museum, themed environment, interior and retail); and
- Meeting architecture activation.

In the period ended April 30, 2021, the Group reorganised the presentation of Visual branding activation and Museum and themed entertainment businesses based on the management of strategic business units. The comparative figures have been restated accordingly.

The Group's main operations and revenue streams are those described in the last consolidated 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 3(b) and 3(d) to the condensed consolidated interim financial statements.

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

	Exhibition, event and brand activation Unaudited HK\$'000	Visual branding activation Unaudited HK\$'000	Museum and themed entertainment Unaudited HK\$'000	Meeting architecture activation Unaudited HK\$'000	Total Unaudited HK\$'000
<b>For the six months ended April 30, 2021</b>					
Revenue from external customers	1,430,128	200,179	228,287	17,174	1,875,768
Timing of revenue recognition					
At a point in time	1,390,617	149,943	71,816	17,174	1,629,550
Over time	39,511	50,236	156,471	–	246,218
Inter-segment revenue	100,143	16,650	13,769	–	130,562
Segment profits	64,319	15,050	17,584	1,594	98,547
Share of losses of associates	(7,106)	–	–	(2,958)	(10,064)
Interest income	2,171	353	563	1	3,088
Interest expenses	9,435	19	194	5	9,653
	Exhibition, event and brand activation Unaudited HK\$'000	Visual branding activation Unaudited HK\$'000	Museum and themed entertainment Unaudited HK\$'000	Meeting architecture activation Unaudited HK\$'000	Total Unaudited HK\$'000
		(restated)	(restated)		
<b>For the six months ended April 30, 2020</b>					
Revenue from external customers	1,480,562	160,329	197,001	30,118	1,868,010
Timing of revenue recognition					
At a point in time	1,283,542	123,786	79,397	30,118	1,516,843
Over time	197,020	36,543	117,604	–	351,167
Inter-segment revenue	106,044	32,218	19,348	–	157,610
Segment profits	68,495	801	24,656	685	94,637
Share of losses of associates	(4,207)	–	–	(3,776)	(7,983)
Interest income	2,312	248	146	17	2,723
Interest expenses	13,353	17	230	–	13,600

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

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

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	2,006,330	2,025,620
Elimination of inter-segment revenue	(130,562)	(157,610)
Consolidated revenue	1,875,768	1,868,010
<b>Profit or loss</b>		
Total profits of reportable segments	98,547	94,637
Unallocated amounts:		
Change in remeasurement of contingent consideration	(1,299)	(11,517)
Amortisation of other intangible assets arising from business combinations	(19,793)	(19,855)
Corporate expenses	(26,177)	(31,920)
Consolidated profit before tax	51,278	31,345

## (d) Geographical information

	Revenue	
	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Greater China	1,132,181	801,918
Malaysia, Singapore, the Philippines and Vietnam	253,115	403,835
Bahrain, Oman, Qatar, Saudi Arabia and United Arab Emirates	274,068	302,036
The United Kingdom and the United States	179,423	278,991
Others	36,981	81,230
Consolidated total	1,875,768	1,868,010

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

## 4. FINANCE COSTS

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank borrowings	5,775	9,433
Interest expenses on lease liabilities	3,810	4,167
Unwinding discount expenses	68	–
	<b>9,653</b>	<b>13,600</b>

## 5. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Profits tax for the period		
Hong Kong	5	–
Overseas	9,359	11,845
Over provision in prior periods		
Hong Kong	–	(127)
Overseas	(2,469)	(4,738)
	<b>6,895</b>	<b>6,980</b>
Deferred tax	<b>516</b>	<b>(812)</b>
	<b>7,411</b>	<b>6,168</b>

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the period. A portion of the Group's profit is derived offshore and is not subject to Hong Kong profits tax.

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 has been lowered to 8.25%, and assessable profits above that amount is 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.

## 6. PROFIT FOR THE PERIOD

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of:		
Property, plant and equipment	23,676	24,528
Right-of-use assets	15,275	14,496
Amortisation of:		
Show rights and software	573	955
Intangible assets arising from business combinations	19,793	19,855
Cost of inventories sold	95,062	97,416
Allowance for bad and doubtful debts	12,547	3,569
Bad debts written off	468	3,093
Loss on disposal of property, plant and equipment	1,710	318
Increase in remeasurement of contingent consideration	1,299	11,517
Net exchange loss	–	1,395
and crediting:		
Interest income	3,088	2,723
Gain on disposal of property, plant and equipment	1,071	911
Gain on dissolution of subsidiaries, net	271	1,575
Allowance written back on bad and doubtful debts	8,283	5,131
Government grants	42,784	8,591
Net exchange gain	365	–
Increase in fair value of financial assets at FVTPL	290	–
Rent concessions	2,521	–

Government grants mainly relate to wage support from the government in different countries. Under the conditions of the grants, the Group is required to retain its local employees even if business is affected by the COVID-19 outbreak.

During the interim period, the Group received rent concessions in the form of a waiver on fixed payments during COVID-19 pandemic.



## 7. DIVIDENDS PAID

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
2020 final dividend paid HK2.5 cents per share (2020: 2019 final dividend paid HK9.0 cents per share)	<b>30,954</b>	111,421

*Notes:*

- (a) The 2020 final dividend of the year ended October 31, 2020 of HK\$30,954,000 (2020: 2019 final dividend of HK\$111,421,000) was approved after October 31, 2020 and 2019 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, 2021 (2020: nil).

## 8. 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,	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	<b>57,523</b>	24,123

	For the six months ended April 30,	
	2021	2020
	Unaudited	Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,238,036,701</b>	1,238,010,104
Effect of dilutive potential ordinary shares in respect of options	<b>208,744</b>	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,238,245,445</b>	1,238,010,104

## 9. CAPITAL EXPENDITURES

	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Intangible assets HK\$'000
Carrying amount as at November 1, 2020 (Audited)	696,061	260,200	558,968
Additions ( <i>Note</i> )	2,687	2,534	–
Disposals/Written off	(4,203)	(19,326)	–
Depreciation charges/Amortisation	(23,676)	(15,275)	(20,366)
Transfer to investment properties	(45,115)	–	–
Variable lease payment adjustment	–	4,437	–
Exchange adjustments	15,706	5,441	717
<b>Carrying amount as at April 30, 2021 (Unaudited)</b>	<b>641,460</b>	<b>238,011</b>	<b>539,319</b>

*Note:* During the six months ended April 30, 2021, the Group entered into new lease agreements for 2 to 5 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$2,534,000 of right-of-use assets and HK\$2,534,000 of lease liabilities.

## 10. FINANCIAL ASSETS AT FVTOCI

	April 30, 2021 Unaudited HK\$'000	October 31, 2020 Audited HK\$'000
Equity securities, at fair value, unlisted	3,867	3,867

The following table provides a reconciliation of financial assets at FVTOCI:

	April 30, 2021 Unaudited HK\$'000	October 31, 2020 Audited HK\$'000
At beginning of the period/year	3,867	3,842
Exchange adjustments	–	(3)
Total gains recognised in other comprehensive income	–	28
<b>At end of the period/year</b>	<b>3,867</b>	<b>3,867</b>

## 11. DERIVATIVE FINANCIAL ASSETS

The following table provides a reconciliation of derivative financial assets:

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
At beginning of the period/year	8,138	6,496
Exchange adjustments	542	6
Change in fair value of derivative financial assets	957	1,636
<b>At end of the period/year</b>	<b>9,637</b>	<b>8,138</b>

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$703,438,000 (at October 31, 2020: HK\$660,632,000), an aging analysis, based on the invoice date and net of allowance, is as follows:

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Less than 91 days	529,838	521,940
91 – 180 days	57,672	34,822
181 – 365 days	62,798	48,942
More than 1 year	53,130	54,928
	<b>703,438</b>	<b>660,632</b>

## 13. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$317,531,000 (at October 31, 2020: HK\$381,629,000), an aging analysis, based on the date of receipt of goods or services, is as follows:

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Less than 91 days	232,957	250,128
91 – 180 days	20,875	31,538
181 – 365 days	18,003	43,604
More than 1 year	45,696	56,359
	<b>317,531</b>	<b>381,629</b>

## 14. CONTINGENT CONSIDERATION

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
At beginning of the period/year	<b>78,961</b>	134,263
Exchange adjustments	<b>415</b>	(1,652)
Consideration paid for acquisition of a subsidiary	–	(3,686)
Increase (decrease) in fair value ( <i>Note</i> )	<b>1,299</b>	(19,342)
Transfer to other creditors	–	(30,622)
<b>At end of the period/year</b>	<b>80,675</b>	78,961
Analysed as:		
Current liabilities	<b>26,008</b>	–
Non-current liabilities	<b>54,667</b>	78,961
	<b>80,675</b>	78,961

*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 six months ended April 30, 2021 was an increase of HK\$1,299,000 (six months ended April 30, 2020: an increase of HK\$11,517,000) in fair value of the contingent consideration.

## 15. SHARE CAPITAL

	<b>Number of shares</b>		<b>Share capital</b>	
	<b>April 30, 2021</b> <b>Unaudited</b>	October 31, 2020 Audited	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Ordinary share of HK\$0.05 each				
Authorised:				
At beginning and end of the period/year	<b>2,400,000,000</b>	2,400,000,000	<b>120,000</b>	120,000
Issued and fully paid:				
At beginning of the period/year	<b>1,238,010,104</b>	1,238,010,104	<b>61,901</b>	61,901
Exercise of share options ( <i>Note</i> )	<b>148,000</b>	–	<b>7</b>	–
<b>At end of the period/year</b>	<b>1,238,158,104</b>	1,238,010,104	<b>61,908</b>	61,901

*Note:* During the period, 148,000 shares were issued at HK\$0.960 per share as a result of the exercise of share options of the Company (year ended October 31, 2020: nil).

## 16. PLEDGE OF ASSETS

At April 30, 2021, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Freehold land and buildings	57,885	57,813
Leasehold land and buildings	118,438	117,018
Pledged bank deposits	6,883	1,962
	<b>183,206</b>	176,793

## 17. CAPITAL COMMITMENTS

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment and other investments		
– contracted but not provided for	6,572	8,035
– authorised but not contracted for	8,707	7,806
	<b>15,279</b>	15,841

The Company did not have any other significant capital commitments as at April 30, 2021.

## 18. CONTINGENT LIABILITIES

At April 30, 2021, the Group has issued the following guarantees:

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$'000</b>	October 31, 2020 Audited HK\$'000
Performance guarantees		
– secured	134,002	135,130
– unsecured	1,601	45,853
	<b>135,603</b>	180,983
Other guarantees		
– secured	4,711	4,397

At April 30, 2021, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

## 19. RELATED PARTY TRANSACTIONS

	For the six months ended April 30, 2021			For the six months ended April 30, 2020		
	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	270	–	–	263	–	–
Sub-contracting fee paid	10,241	–	–	12,165	–	–
Management fee income	453	–	–	2,401	–	–
Property rental income	153	–	–	223	–	–
Property rental expenses	–	–	–	–	–	255
Other income	1	–	245	394	9	280

  

	At April 30, 2021			At October 31, 2020		
	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	27,527	273	60	30,873	270	4
Payables	1,970	1,012	21	1,907	1,000	1

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, 2021 (2020: nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial Results**

Group revenue for the six months ended April 30, 2021 (also referred to as 'the period under review' or 'the first half of this year' in 'Business Review and Prospects') remained stable at HK\$1,876 million (2020: HK\$1,868 million), a 0.4% increase compared with the previous corresponding period.

Profit from core operations was HK\$92 million (2020: HK\$84 million), a 9.5% increase compared with the previous corresponding period. Profit attributable to owners of the Company was HK\$58 million (2020: HK\$24 million).

Basic earnings per share is HK4.65 cents, compared to HK1.95 cents in the previous corresponding period.

As a definite end to the COVID-19 pandemic remains uncertain, the Group will continue to take prudent and responsible measures to preserve a healthy medium- to long-term financial position for sustaining operations. As a result, the Board does not recommend payment of an interim dividend (2020: nil).

### **Operations Review**

The year 2021 continues to be challenging, with recovery from the pandemic largely slow-paced. While some countries are showing signs of recovery, others are still experiencing spikes in COVID-19 and remain locked down. However, we have embraced these challenges with our new business model coupled with the redesigning and rightsizing measures adopted last year.

Thanks to our strong presence in China, we continue to decisively capture opportunities emerging from the ongoing return of physical exhibitions and events starting in the second half of 2020. With stringent and comprehensive safety measures and virus control protocols in place in China, many events and exhibitions have grown in both scale and attendance during the last 12 months. During the period, the Company implemented ambitious strategies to capture a larger share of the recovering market in China in order to compensate for weaker business in other regions. Consequently, this has led to a decrease in gross profit margin compared to last year.

In other regions where the pandemic has not yet been contained, travel restrictions and social distancing requirements have either been continuous or periodically reimposed, leading to further postponements or cancellations of many local and international events and trade shows, and in some cases, only a very tentative return to physical events. In these places, virtual and digital solutions remained our key offering during the period under review. The promising demand for these events enabled us to partially offset the loss of physical events in these regions.

Following our successful repositioning in the digital and brand activation spaces, a number of clients who previously engaged us annually for face-to-face events turned to us for online events with an increased quarterly, monthly or even ongoing frequency.

After a year of extensive cost saving and rightsizing measures, the Group's fixed overhead has been reduced significantly and the Company has become more resilient in sustaining operations in what has been a volatile operating environment.

The period under review saw a market trend of clients requesting longer credit periods from vendors. We responded with more stringent credit controls and cash preservation measures to minimise the impact on our financial position. Our position consequently remains healthy, enabling us to operate competitively in the foreseeable future.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### Operations Review (Cont'd)

#### Performance by business segment:

- Exhibition, Event and Brand Activation recorded a 3.4% decrease in revenue to HK\$1,431 million (2020: HK\$1,481 million).
- Visual Branding Activation recorded a 25.0% increase in revenue to HK\$200 million (2020: HK\$160 million).
- Museum and Themed Entertainment recorded a 15.7% increase in revenue to HK\$228 million (2020: HK\$197 million).
- Meeting Architecture Activation recorded a 43.3% decrease in revenue to HK\$17 million (2020: HK\$30 million).

#### Exhibition, Event and Brand Activation

Revenue in this segment dropped by only 3.4% compared with same period of last year, notwithstanding the Group having only approximately three months to operate in a normal business environment during that first quarter.

Performance in this segment was particularly encouraging in China, where the Group delivered an impressive number of in-person exhibitions and events.

##### *Exhibitions*

During the period, the total number of exhibitions serviced by the Group worldwide as official service provider reduced by 16%. The drop was mitigated by strong growth in mainland China, where there was a two-fold increase in number of exhibitions and a three-fold increase in exhibition space serviced.

Major exhibitions completed with Pico appointed as official service provider during the period include:

##### *In-person:*

Automechanika Shanghai  
 Build4Asia in Hong Kong  
 Design Shanghai  
 China Food and Drinks Fair in Chengdu  
 China International Machine Tool Show in Beijing  
 FIBO China in Shanghai  
 HOMEDEC Home Design and Interior Exhibition in Kuala Lumpur  
 Shanghai International Hospitality Equipment and Foodservice Expo  
 TravelRevive in Singapore

##### *Virtual/hybrid:*

Advanced Semiconductor Technology Conference in Singapore  
 Asia Pacific Oil and Gas Conference and Exhibition in Kuala Lumpur  
 Brand New Virtual Hong Kong International Fur and Fashion Fair  
 International Conference on Prevention and Control of Infection in Abu Dhabi  
 Offshore Technology Conference Asia in Kuala Lumpur  
 The National Science and Technology Fair in Bangkok

In China, the return of in-person exhibitions saw the Group's expertise in brand activation called upon by an impressive roster of international and local brands. At Auto Guangzhou in November 2020 and Auto Shanghai in April 2021, we provided services for 13 and 19 brands respectively. In the case of the biennial Auto Shanghai, total contract size increased by more than 20 percent compared to the previous edition. Thailand also saw the successful delivery of the Bangkok International Motor Show and Thailand International Motor Expo in Bangkok, at which our key associate Pico (Thailand) Public Company Limited delivered services for a host of brands.



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

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

#### **Exhibition, Event and Brand Activation (Cont'd)**

In Shanghai, we activated Rolex's brand presence at the Watches and Wonders Exhibition. At the Third China International Import Expo, in addition to providing physical exhibition marketing services for over 20 high-profile brands, we were further entrusted to create virtual booths to extend some of these clients' coverage.

#### *Events*

Notable in-person events during the period included the WEY 4th Anniversary Celebration in Beijing; e Cloud conference at E-Surfing Smart Ecosystem Expo and vivo Game Carnival in Guangzhou; Li-Ning pop-up store in Nanjing; The Third 'New Voice' Conference by Alibaba's Tmall Hey Box in Shanghai; and the PUBG Mobile Global Championship 2020 Finals in Dubai.

In Hong Kong, we delivered the Carlsberg x 7-Eleven campaign, The Red Collection Experience campaign by The Macallan and the opening ceremony for the Tuen Mun - Chek Lap Kok Link.

In Singapore, the STAR WARS Identities travelling exhibition originally scheduled for 2020 returned to the ArtScience Museum for five-month period starting in January 2021.

In Taiwan, events and roadshows were activated for Audi, Land Rover and Lexus. Building on previous success, Taipei Fashion Week again called upon the Group to contribute expertise to its AW21 edition.

In the Middle East, we activated Bahrain National Day festivities in Manama and Sakhir, fireworks displays for two Formula 1 Grand Prix events in Sakhir, and an event for ACWA Power-led Sakaka Solar Power Plant project in Saudi Arabia.

#### *Digital Activations*

In China, we delivered the following major projects: a GE's launch event, multiple Google events, JD Discovery and YouTube Brandcast in Beijing; Shaping Intelligence – AI Cloud Summit in Hangzhou; and Ping An Technology Virtual Annual Conference in Shenzhen.

In Hong Kong, we delivered the Digital Entertainment Leadership Forum and the Hong Kong Tourism Board's Hong Kong Winterfest's virtual tour of Christmas Town. In Taiwan, we delivered McDonald's 'Plan To Win' Conference and the Samsung Experience Store's Chinese New Year campaign.

The Group activated the inaugural Chief of Army Symposium in Brisbane, Australia. In the US, a series of projects for HP including the OMEN Challenge livestream events and Platinum Summit were successfully delivered.

Ongoing work includes the development of an online platform for the 2020/21 ABB FIA Formula E World Championship, which will continue in the second half of this year.

#### *Brand Activations*

During the period, the Group was entrusted to deliver brand activation services in several markets for internationally known brands such as Audi, China Mobile's Migu, Google, GWM, HCL Technologies, Hewlett Packard Enterprise, HP Inc., Huawei, Lexus, L'Oréal Travel Retail, Mercedes-Benz, Samsung, Tencent, Volkswagen Import, Volvo, WEY and Yonex. A number of these client engagements will extend into the second half of 2021.

#### *Venue Management*

Managed and operated by Pico, the Jinjiang International Convention and Exhibition Centre is Quanzhou city's largest and Fujian province's third largest hall. Notable achievements during its first year of operation included a contract with the China (Quanzhou) International Automobile Exhibition for eight biannual shows from 2020 to 2023, and the hosting of the 23rd Jinjiang Footwear and the 6th Sports Industry International Exposition.

#### *Special Projects: COVID-19 Vaccination Facilities*

Following the delivery of a number of temporary care and testing facilities last year, the Group continued to provide expertise to deliver an approximate total of 40 vaccination facilities in Hong Kong, Malaysia, Myanmar and Singapore during the period. In Myanmar, our Yangon Convention Centre has since October 2020 served as a community care facility and subsequently as a vaccination centre.

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

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

#### **Visual Branding Activation**

This newly defined business segment includes interior and retail projects previously classified under the Museum, Themed Environment, Interior and Retail segment. The reclassification was in response to our strategies for expanding service in line with market trends, beyond the visual branding business and into interior and new retail concepts. The newly defined segment showed growth of 25.0% during the period, reflecting a successful implementation of our strategies.

During the period under review, the Group commenced a number of contracts for automotive brands in China including Bentley, Bosch, GAC Aion, Infiniti, JMC Ford, Lexus, Lincoln, Maple, Mazda, Mercedes-Benz, NETA Automobile, Nissan, PATEO, Rolls-Royce, SAIC-GM, SAIC Hongyan and Trumpchi. The Group also completed a new retail concept for SAIC Volkswagen known as the Digital City Showroom in Chengdu, Hangzhou and Shenzhen. We expect to roll out many more such digital concept showrooms for auto brands in China.

Our contract for Haidilao Hot Pot, a major catering brand in China, includes the provision of visual branding solutions for some 50 stores. Most were completed in the first half of this year, with the remainder targeted in the second half.

A contract for Nanjing Chi-Lin Technology Innovation Park AI Exhibition Centre by JD Cloud was completed. In Shanghai, the Group provided multimedia installation and construction services to the SAIC-GM Showroom. A visitor experience upgrade for the Volkswagen Import showroom in Dongguan was completed, with more to be commenced in other cities in 2021.

#### **Museum and Themed Entertainment**

*(formerly Museum, Themed Environment, Interior and Retail)*

As already mentioned, interior and retail projects have been reclassified to the Visual Branding Activation segment.

This segment continued to grow impressively even during the ongoing period of difficulty. Although the pandemic has continued to cause delays to some projects, several others were nevertheless delivered as planned. Contracts fulfilled during the period under review included those for Legoland in Seoul, National Museum of Qatar and Shanghai Astronomy Museum.

In Hong Kong, a service contract for M+, a museum of visual culture in the West Kowloon Cultural District, was completed. Projects due for completion during the second half of the financial year include the Earth Science Gallery at Hong Kong Science Museum and the Sik Sik Yuen Gallery at Wong Tai Sin Temple. After being temporarily halted due to the pandemic, the Group's work for a popular theme park at Penny's Bay was resumed and is expected to be completed in 2022.

In Beijing, several contracts for a Hollywood movie theme park are to be completed in the second half of this year.

In Chongqing, the Group's contracts for Sunac theme parks were substantially fulfilled during the period. Other ongoing contracts for Sunac theme parks in Chongqing, Jinan and Wuxi are planned for completion in 2022.

A number of projects are progressing toward targeted completion dates during 2021, including for Dreamworld in Gold Coast, Queensland, and an indoor waterpark for HomeTeamNS in Singapore. Our large-scale museum project in Oman is underway with a target completion in October 2021.

#### **Meeting Architecture Activation**

Key markets for this segment in Southeast Asia continue to be deeply impacted by the pandemic.

In Singapore, the Group fulfilled the final year of a 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. Several virtual business missions, including Construction and Building Technologies, Environment and Water Technologies, and Healthcare and Medical Technologies, were delivered during the period. Additionally, the Singapore Week of Innovation and TeCHnology was delivered in hybrid format in December 2020.

In Abu Dhabi, the FUTR World Middle East Summit originally scheduled in March has been postponed to December 2021.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### Operations Review (Cont'd)

#### Meeting Architecture Activation (Cont'd)

The Philippines has been under a strict 'enhanced community quarantine' for an extended time. Given this situation, the Group's VX Events unit in the Philippines has been tasked with transforming long-established exhibitions into virtual formats. During the period, VX Events successfully launched the first virtual editions of the ASEAN International Furniture and Furnishings Show, and the Philippine National Trade Fair. The first virtual Philconstruct was also launched in November 2020, and the second in March 2021.

VX Events will continue evolving to serve additional segments and expand into more markets. Currently, the unit is nearing the launch of off-the-shelf, user-friendly solutions with shorter production lead times to cater to more clients. Going forward, VX Events will help the Group capture opportunities with corporations requiring frequent or regular virtual conferences, and even e-learning, meeting, training and webinar events.

The Group will strive to capture the opportunities that emerge when the market shows any signs of recovery, beginning with small- to mid-sized hybrid events. However, with the ongoing pandemic situation in the Philippines, a resurgence of any in-person events is still uncertain.

### Liquidity and Financial Information

As at period end date, the total net tangible assets attributable to owners of the Company of the Group increased by 9.9% to about HK\$1,538 million (at October 31, 2020: HK\$1,399 million).

Bank and cash balances amounted to HK\$1,200 million (at October 31, 2020: HK\$1,304 million), with HK\$7 million pledged bank deposits (at October 31, 2020: HK\$2 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK\$520 million (at October 31, 2020: HK\$638 million).

Total borrowings were HK\$680 million at April 30, 2021 (at October 31, 2020: HK\$666 million). They are mainly denominated in Great Britain pound, Hong Kong dollars, Japanese yen, 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\$5 million (at October 31, 2020: HK\$2 million) carry fixed interest rate.

	<b>April 30, 2021</b> <b>Unaudited</b> <b>HK\$' million</b>	October 31, 2020 Audited HK\$' million
Bank and cash balances	<b>1,193</b>	1,302
Pledged bank deposits	<b>7</b>	2
Less: Borrowings	<b>(680)</b>	(666)
<b>Net cash balance</b>	<b>520</b>	638

For the six months ended April 30, 2021, the Group invested HK\$3 million (year ended October 31, 2020: HK\$31 million) in property, plant and equipment. All these were financed from internal resources and bank borrowings.

At April 30, 2021, the Group has HK\$345 million (at October 31, 2020: HK\$394 million) long-term borrowings and HK\$136 million (at October 31, 2020: HK\$153 million) long-term lease liabilities. The current ratio was 1.50 times (at October 31, 2020: 1.51 times); the liquidity ratio was 1.49 times (at October 31, 2020: 1.50 times) and the gearing ratio was 9.79% (at October 31, 2020: 11.47%).

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

	April 30, 2021	October 31, 2020
Current ratio (current assets/current liabilities)	<b>1.50 times</b>	1.51 times
Liquidity ratio (current assets excluding inventories/current liabilities)	<b>1.49 times</b>	1.50 times
Gearing ratio (long-term borrowings including long-term lease liabilities/total assets)	<b>9.79%</b>	11.47%

Although our subsidiaries are located in many different countries of the world, over 74% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars 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 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.

### Employees and Emoluments Policies

At April 30, 2021, the Group employs some 2,100 permanent staff 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\$424 million (six months ended April 30, 2020: HK\$437 million).

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

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

### **Prospects**

Though a global economic recovery is in sight, the Group expects that 2021 will continue to be a challenging year due to the pandemic-related lockdowns and travel restrictions that remain in many of the markets in which the Group operates.

Since China's reopening last year, many events have not only resumed, but grown, thanks to strong consumer spending supported by the government's economic stimulus. The 'Digital China' policy unveiled in the latest government directive under the 14th Five-Year Plan is creating further opportunities for us in digital activations for events and exhibitions as well as intelligent stores, showrooms and experience centres. We are well prepared to take advantage of these new opportunities.

For the second half of this year, the Group has been appointed official service provider for the Beijing International Printing Technology Exhibition, China International Dental Exhibition and Scientific Conference, China Wind Power and InfoComm China in Beijing; China International Sewing Machinery and Accessories Show, ITMA Asia + CITME, Pet Fair Asia, RubberTech China and the SIAL China food and beverage exhibition in Shanghai; Art Central and the HOFEX Food and Hospitality Tradeshow in Hong Kong.

The Group has also been commissioned by Dubai's Department of Tourism and Commerce Marketing, the Korea National Tourism Organisation Dubai and LOTTE Hotels and Resorts to activate their brand presences at the recent Arabian Travel Market in Dubai in May, developments which signalled post-pandemic reopening of the UAE market.

We also won a number of contracts for Auto Chongqing, Land Forces in Brisbane, and the Mobile World Congress Barcelona in June, and Chengdu Motor Show in August. The Free Fire World Series game tournament is scheduled for May in Singapore, while i Light Singapore is expected to return in the second half of this year.

For the Tokyo Olympics, the Group's work in progress includes an extensive overlay project for the Archery venue and other contracts for brand activation services. With Japan experiencing a surge of COVID-19 cases in the run-up to the opening of Tokyo Olympics in July 2021, the Group has put in place measures to protect staff as they work to fulfil our project commitments.

The World Expo in Dubai is scheduled to open in October 2021 for a six-month period. To date, the Group is servicing some 20 pavilions, including national pavilions for Algeria, Brazil, Cambodia, Czech Republic, Malaysia, Malta and the UK, the SAIC Motor booth at China Pavilion, and a number of corporate and thematic pavilions. As well as overlay, carpark and wayfinding packages, the Group is providing interior fit-out services for a temporary structure at the Dubai Exhibition Centre and retail outlets across the Expo site. Additionally, the Group has been appointed to provide event and operation management services for several clients. While work has already commenced on all our existing Expo Dubai contracts, we are also accelerating our marketing efforts to secure more income in the run-up to the event. In terms of contract value, the Group's involvement with Expo Dubai will be the largest in our 30 years of experience in world expositions which recur every five years.

In the Visual Branding Activation segment, the Group will continue to serve automotive clients in China, including Bentley, Cadillac, CFMOTO, GAC Aion, General Motors, JMC Ford, Lexus, Lincoln, Mazda, Nissan and Trumpchi. The Group has also won contracts for Infiniti for worldwide, Dacia and Renault in Europe, and Jaguar Land Rover in North America and Europe.

The Group's work on a multi-year contract for Mercedes-Benz is underway with a target completion date in 2023. Additionally, we will also handle design and visual branding for Mercedes-EQ Exhibition Stands at their stores across China.

For the second half of the year, new and ongoing visual branding and interior work contracts in China include those for Central China in Luoyang and Zhengzhou; PATEO Showroom in Nanjing; Infiniti Q Stores in Nanjing and Yinchuan; Fung Group's Explorium in Shanghai; a Shenzhen Metro showroom and Sun Yat-Sen University Library in Shenzhen; and the Sing! China Experience Centre in Tianjin.

In Shanghai, the Group has also been appointed by the government to design and build a range of public facilities to enhance the public space in Jiading district.

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

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

Following the completion of the SAIC Volkswagen Digital City Showrooms in several cities in China, work on further Digital City Showrooms for the brand in Beijing, Guangzhou and Shanghai is in progress with completion targeted by the end of 2021.

In the Museum and Themed Entertainment segment, the Group won a new contract for the Impression of Shashi Museum in Hubei and will fulfil several new contracts in the second half of the financial year, including a project at Warner Bros. World Abu Dhabi, the surf park at The Club at Parkwood Village in Gold Coast, Queensland, and a gallery at Saigon Sports City in Ho Chi Minh City.

For the Hong Kong Museum of Coastal Defence, in addition to earlier-commissioned fabrication services, the Group has won an additional contract for multimedia programmes. Both contracts are targeted for completion in the second half of this financial year.

In the Meeting Architecture Activation segment, several of the Group's recurring events will be held in virtual or hybrid format during the second half of the financial year. These include Automechanic Philippines, Hotel Suppliers Show, Manufacturing Technology World, Pack Print Plas Philippines, the third Philconstruct, and the Transport, Utilities and Logistics Expo in the Philippines; Asia Pacific Intensive Care Symposium, Asia Tech x Singapore Summit, Singapore Anaesthesia Refresher Course and TechLaw.Fest in Singapore; the World Intelligence Congress in Tianjin, China; and Semi Permanent Abu Dhabi.

Newly won virtual event clients include the Rotary Club DisCon and a commission from the Department of Trade and Industry Philippines to produce the Asia-Pacific Economic Cooperation (APEC) conference. The Group also won a contract from international real estate company Megaworld Corporation for worldwide buyers.

Given the fluidity of the COVID-19 situation, the possibility of further changes to the status of any scheduled event cannot be dismissed. We are cautiously optimistic that more countries will gradually reopen, but will continue to take prudent cost control measures to minimise the downside risk.

Our 'Reimagine, Reinvigorate and Reinvent' strategy, supported by continuous investment in digital enablement capabilities, will enable the Group to quickly resume its customary trajectory of growth as the world reopens after the COVID-19 pandemic. The Group's five decades of continuous transformation is itself the competitive advantage that enables us to be innovative and agile in a rapidly changing environment.

## DIRECTORS' INTERESTS IN SHARES

At April 30, 2021, 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 (the "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	<i>(Note a)</i>	14,826,000	–	14,826,000	1.20%
Ms. Jean Chia Yuan Jiun	<i>(Note b)</i>	1,475,000	–	1,475,000	0.12%
Mr. Mok Pui Keung	<i>(Note c)</i>	1,526,000	–	1,526,000	0.12%
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 10,926,000 shares and interest in 3,900,000 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 1,475,000 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 864,000 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.

### (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, 2020	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2021
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat						
	(Note b)	1,400,000	–	–	–	1,400,000
	(Note f)	–	2,500,000	–	–	2,500,000
Ms. Jean Chia Yuan Jiun						
	(Note b)	475,000	–	–	–	475,000
	(Note f)	–	1,000,000	–	–	1,000,000
Mr. Mok Pui Keung						
	(Note b)	46,000	–	–	–	46,000
	(Note c)	30,000	–	–	–	30,000
	(Note d)	78,000	–	–	–	78,000
	(Note e)	210,000	–	–	–	210,000
	(Note f)	–	500,000	–	–	500,000
<b>Total Directors</b>						
		2,239,000	4,000,000	–	–	6,239,000
<i>Category 2: Employees</i>						
	(Note a)	284,000	–	–	(20,000)	264,000
	(Note b)	1,649,000	–	–	(122,000)	1,527,000
	(Note c)	380,000	–	–	(40,000)	340,000
	(Note d)	696,000	–	–	(156,000)	540,000
	(Notes e, g)	1,752,000	–	(148,000)	(74,000)	1,530,000
	(Note f)	–	700,000	–	–	700,000
<b>Total employees</b>						
		4,761,000	700,000	(148,000)	(412,000)	4,901,000
<b>Total all categories</b>						
		7,000,000	4,700,000	(148,000)	(412,000)	11,140,000



## SHARE OPTIONS (CONT'D)

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

*Notes:*

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) The exercise price is HK\$0.960. The option period during which the options may be exercised is the period from September 8, 2020 to September 7, 2025. The date of grant was September 7, 2020.
- (f) The exercise price is HK\$1.280. The option period during which the options may be exercised is the period from February 26, 2021 to February 25, 2026. The date of grant was February 25, 2021 and the closing price of share immediately before the date of grant was HK\$1.270.
- (g) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$1.320.

### (ii) Valuation of share options

- (a) The fair value of the share options granted in the current period measured as at date of grant ranged from HK\$0.210 to HK\$0.213 per option.
- (b) The following significant assumptions were used to derive the fair value using the Binomial 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 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
September 7, 2020	0.960	5.00	28.00	0.960	0.320	4.99
February 25, 2021	1.280	5.00	28.00	1.280	0.610	4.90

- (c) Expected volatility was determined by using the historical volatility of the Company's share price over the previous 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.
- (d) The Group recognised the total expenses of HK\$459,000 for the six months ended April 30, 2021 (six months ended April 30, 2020: HK\$73,000) 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, 2021, 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>	74,132,000	5.99%
APG Groep N.V. <i>(Note)</i>	74,132,000	5.99%
APG Investments Asia Limited <i>(Note)</i>	74,132,000	5.99%
Stichting Depository APG Strategic Real Estate Pool <i>(Note)</i>	74,132,000	5.99%
Stichting Pensioenfonds ABP <i>(Note)</i>	74,132,000	5.99%

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at April 30, 2021.

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

During the period ended April 30, 2021, 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, 2021, 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 roles 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, 2021.

## **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 24, 2021