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

# Annual Report 2021


pico

迎變而上

reimagine.
reinvigorate.
reinvent.

迎變而上

# reimagine.
# reinvigorate.
# reinvent.

In 2022, businesses face continuing challenges stemming from COVID-19 and outbreaks of new variants. Around the globe, countries are striving with varying degrees of success to reopen their borders and revive their economies amid widespread shortages of raw materials and disrupted supply chains.

The Group has proven resilient to these challenging conditions, and its response largely successful. But our achievements during the past months have not stemmed from expedience: they are the product of a deep and far-seeing strategic transformation into an 'Experience-Led, Digital-First' business model. The process began well ahead of the industry curve, and has honed us into an agile, efficient, technologically adept leader in total brand activation.

Now, as we begin to discern a clearer picture of the future, those transformative strategies place us in a strong position to actively define the next paradigm in helping clients build their brand presence, grow audiences and achieve their goals.

That new paradigm will very much be an evolution of what the Group is doing now. We have recently seen – and enabled – an increasing reliance on a range of digital solutions to connect brands with their audiences. Led by our innovative content creation and community-building strategy, we have integrated and leveraged these solutions to deliver greater value and more impactful outcomes, and they are now in demand as essential, mainstream elements of activation.

In coming years, data and technology will continue to catalyse effective and impactful results. Our entire spectrum of expertise will be engaged as digital and physical elements become ever more closely integrated, and events aim to capitalise on the strengths of both online and offline experience. Integrated events could offer in-person immediacy, spontaneity and immersiveness, the enhanced experiences and content of digital, and the time- and space-transcending flexibility of online participation in a seamless, cross-experiential whole.

This timeframe may also see businesses and other organisations increasingly engage with employees, members and customers via innovative digital platforms and communities. Looking further ahead, we may see all these trends converge into the metaverse, opening up a whole new horizon of potential.

As Pico enters its 53rd year of experience and innovation, we are well-placed to approach these challenges of tomorrow as fresh opportunities – and as logical extensions of our capabilities today. Notably, 2022 also marks the milestone 30th anniversary of our listing on the Hong Kong Stock Exchange.

Now as ever, we remain dedicated to the purpose of building an agile, innovative and sustainable organisation creating and maximising value for clients and shareholders.

*Cover: Dubai Cares Pavilion at Expo Dubai*

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*Malaysia Pavilion at Expo Dubai*

# Results in Brief

| | |
|---|---|
| Revenue<br>**HK$4,052m** *(2020: HK$3,438m)* | +17.9% |
| Profit attributable to owners of the Company<br>**HK$136.9m** *(2020: HK$50.5m)* | +171.1% |
| Profit for the year<br>**HK$131.0m** *(2020: HK$55.9m)* | +134.3% |
| Profit from core operations<br>**HK$165.7m** *(2020: HK$115.1m)* | +44.0% |
| EBITDA*<br>**HK$260.8m** *(2020: HK$179.3m)* | +45.5% |
| Earnings per share – basic<br>**HK11.06 cents** *(2020: HK4.08 cents)* | +171.1% |
| Earnings per share – diluted<br>**HK11.05 cents** *(2020: HK4.08 cents)* | +170.8% |
| Dividend per share<br>**HK5.0 cents** *(2020: HK2.5 cents)* | +100.0% |
| Equity attributable to owners of the Company<br>**HK$2,188m** *(2020: HK$1,958m)* | +11.7% |
| Return on average equity attributable to owners of the Company<br>**6.6%** *(2020: 2.6%)* | +4ppts |
| Current ratio<br>**1.46 times** *(2020: 1.51 times)* | -3.3% |

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

# Group Facts

**2,500+** events activated worldwide

Official service provider for **3,200,000+** sq. m. of gross exhibition space

Operations span **34** cities worldwide

**9** in EMEA and North America

Boise
Cairo
Dubai
London
Los Angeles
Manama
Milan
New York
Riyadh

**25** in Asia Pacific

Bangkok
Beijing
Dongguan
Gold Coast
Guangzhou
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta
Jinjiang
Kuala Lumpur
Macau
Manila
Melbourne
Perth
Seoul
Shanghai
Shenzhen
Singapore
Sydney
Taipei
Tianjin
Tokyo
Xi'an
Yangon

About **90,000** sq. m. of production facilities

Some **2,000** permanent employees worldwide

**Gender**
Female: **43%**
Male: **57%**

**Age**
Below 40: **63%**
40 and above: **37%**

**46** international awards

*Malaysia Pavilion at Expo Dubai*

# Chairman's Statement

*Peru Pavilion at Expo Dubai*

I am pleased to present our shareholders with the annual report of the Company and its subsidiaries ('the Group') for the year ended October 31, 2021.

## Financial Results

The COVID-19 pandemic and the emergence of new variants continued to pose significant challenges for the Group in 2021. The imposition of travel restrictions, lockdowns and quarantine requirements impacted a majority of our services in all business segments in most of our key markets. Despite these impacts during the 2021 financial year, due to the Group's foresight and planning, its performance recovered momentum, with substantial improvements in both revenue and earnings over the previous year.

During the financial year under review, the Group reported total revenue of HK$4,052 million (2020: HK$3,438 million), representing a 17.9% increase compared to the same period of the previous year.

Earnings before interest, taxes, depreciation, amortisation and a change in remeasurement of contingent consideration (EBITDA) increased by 45.5% to HK$260.8 million (2020: HK$179.3 million).

Profit from core operations was HK$165.7 million (2020: HK$115.1 million), a 44.0% increase compared to the same period last year.

Profit for the year attributable to owners of the Company increased by 171.1% to HK$136.9 million (2020: HK$50.5 million).

## Dividend

The Directors recommend payment of a final dividend of HK5.0 cents (2020: HK2.5 cents) per ordinary share. The total dividend for the year of HK5.0 cents (2020: HK2.5 cents) per ordinary share represents 45.2% of the year's basic earnings per share of HK11.06 cents (2020: HK4.08 cents). The proposed final dividend, if approved at the forthcoming annual general meeting on Friday, March 25, 2022 will be dispatched on Thursday, April 14, 2022 to the shareholders whose names appear on the register of members of the Company on Wednesday, April 6, 2022.

## Business Review

As of October 31, 2021, the Group employed some 2,000 permanent staff and operated 47 permanent offices in 34 cities.

Having weathered the unprecedented effects of the pandemic in 2020, the Group moved into 2021 with cautious optimism, prepared to both capture new opportunities arising from a gradually recovering market and navigate through continuing disruption.

During the year, China fully re-opened its domestic economy, leading to a resurgence of physical events and exhibitions. The Group's strong presence in China enabled us to seize these emerging opportunities and, by implementing ambitious strategies, capture a larger share of the recovering market. China's performance helped to compensate for the weaker markets in other regions. Consequently, gross profit margin decreased compared to last year but remained within the Group's target range. To improve profit margin, the Group is continuing to enhance its cost management via the Deployment Centre strategy launched two years ago.

Due to continuing uncertainty and implementation of anti-COVID measures, business in the US did not recover to pre-pandemic levels during the year under review. This caused a shortfall of target profits for certain acquisitions, including Local Projects, LLC, made by the Group prior to the pandemic, and led to a decrease in the amount of contingent consideration for holdback and earn-out payable to the sellers.

The pandemic caused a significant increase in demand for digital or hybrid digital-physical activations of events, meetings and exhibitions, as an alternative to face-to-face activation. Having begun our digital transformation some years ago, we were and continue to be well placed to meet this increased demand. The growth of our client base since the pandemic further attests to how Pico can support activations in any form – online, offline or hybrid.

## *Building an agile, resilient and sustainable organisation with Go Digital*

Labelled 'Go Digital', the Group's digital transformation began several years ago and continues at an accelerated tempo to the present time. Under our overarching 'Reimagine, Reinvigorate and Reinvent' corporate strategy, Go Digital is a comprehensive enabler of the Group's long-term sustainability and ongoing business strategies. Externally, it enables the Group to enhance its digital marketing and customer engagement and experience capabilities to better meet new market demands, ultimately multiplying revenue streams and generating a higher return.

Internally, all systems, processes and data are being integrated under our 'PowerONE' unified IT system to boost the efficiency and effectiveness of the Group's business processes and operations.

Commenced three years ago with automation and a centralised data repository, PowerONE is being expanded with advanced data analytic technologies, a supplier relationship management system and customer relationship management, and is in the process of being rolled out across the whole Group.

As an example of our continuing innovation, the latest development is a new industry-leading exhibition and event management platform which automates and expedites our project and document management workflows.

## *Realising our Experience-Led, Digital-First business model with a Content Creation and Community-Building strategy*

Launched last year, our Content Creation and Community-Building strategy creates a new value proposition by activating brands and engaging targeted consumers and communities more effectively. During the year, we saw success in its implementation, with new IP created and owned by Pico having a multiplier effect across regions and businesses.

## *Assuring our future with talent acquisition and development*

The Group continues to offer prospective and existing employees several avenues of opportunity to improve their skills, learn new skills, cultivate leadership qualities, and grow their careers with the Group.

New staff initiatives launched this year included a new Management Trainee programme, and our own successful Talent Acceleration Programme revamped and updated with syllabus aligning with our 'Experience-Led, Digital-First' and 'Content Creation and Community-Building' business strategies.

## *Strengthening financial management in a challenging business environment*

During the year, we received some requests from retained clients for longer credit periods. As sufficient financial resources were available, the Group was able to grant such requests selectively in order to expand our market share while at the same time helping our valued clients. For other cases, we adhered to our stringent credit control principles and closely monitored the progress of debt collection.

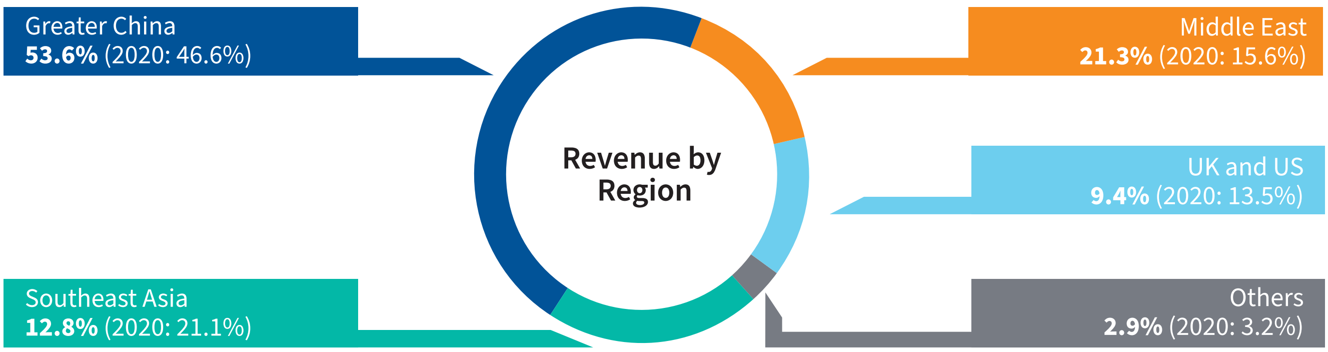
Overall, we continued to strengthen our cash balance to support business growth and minimise the potential negative impacts on our financial position caused by the pandemic's disruptions. Our financial position remains healthy, enabling us to operate competitively in the foreseeable future.

# Operations Review

## By Geographical Region

Geographically, the Greater China region (including mainland China, Hong Kong, Macau and Taiwan) accounted for 53.6% (2020: 46.6%) of the Group's total revenue of HK$4,052 million (2020: HK$3,438 million).

Southeast Asia (including Malaysia, the Philippines, Singapore and Vietnam) accounted for 12.8% (2020: 21.1%); the Middle East (including Bahrain, Oman, Qatar, Saudi Arabia and the United Arab Emirates) accounted for 21.3% (2020: 15.6%); while the United Kingdom and the United States accounted for 9.4% (2020: 13.5%). Other regions accounted for 2.9% (2020: 3.2%).




## By Business Segment

### Exhibition, Event and Brand Activation

During the year under review, revenue in the Exhibition, Event and Brand Activation segment was HK$3,118 million (2020: HK$2,443 million) or 76.9% (2020: 71.0%) of the Group's total revenue. Profit in this segment was HK$98.8 million (2020: HK$60.1 million).

| | Revenue | Profit |
|---|---|---|
| 2021 | HK$3,118 million | HK$98.8 million |
| 2020 | HK$2,443 million | HK$60.1 million |

The year under review saw in-person events return with greater frequency, particularly in mainland China, though the situation still fluctuated due to recurring COVID-19 outbreaks in some countries. Outsides of China, most markets continued to be impacted by the pandemic, resulting in the further postponement or cancellation of many exhibitions and events.

*Exhibitions*

During the year, we continued to see travel restrictions and social distancing requirements imposed and revised in many countries where the Group operates. However, in opened markets, a resurgence of physical events has been observed, though generally of a smaller scale and complemented with digital activation. As a result, there has been an increase in both the total number of exhibitions by 23% and total exhibition space by 92% with Pico appointed as official service provider compared to the previous year. Though a welcome improvement, this performance does not match the level attained in pre-COVID 2019.

*Huawei Eco in Shenzhen*

PUBG Mobile Global Championship 2020 Finals in Dubai

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

In-person:
- Art Central in Hong Kong
- Automechanika Shanghai
- Beijing InfoComm China
- China Food and Drinks Fairs in Chengdu and Tianjin
- China International Auto Accessories Commercial Expos in Beijing and Guangzhou
- China International Machine Tool Show in Beijing
- Design Shanghai
- HOFEX Food and Hospitality Tradeshow in Hong Kong
- HOMEDEC Home Design and Interior Exhibitions in Kuala Lumpur
- ITMA Asia + CITME in Shanghai
- Jewellery and Gem WORLD Hong Kong
- TravelRevive in Singapore

Virtual/hybrid:
- Brand New Virtual Hong Kong International Fur and Fashion Fair
- Fastener Expo Shanghai
- Geo Connect Asia in Singapore
- International Conference on Prevention and Control of Infection in Abu Dhabi
- Offshore Technology Conference Asia in Kuala Lumpur
- Singapore International Water Week Online
- Singapore Ministry of Defence's Army55 Virtual Exhibition
- TCT Asia in Shanghai
- Thailand National Science and Technology Fair in Bangkok

In China, the continuing return of in-person exhibitions saw the Group's expertise in brand activation called upon by an impressive roster of international and local brands. Numerous car brands commissioned the Group to activate their presences at car shows of all scales: At Auto Guangzhou 2020 and Auto Shanghai 2021, we provided services for 13 and 19 brands respectively. Our total contract size at the biennial Auto Shanghai increased by more than 20% compared to the previous edition. We also delivered brand activations for a total of 17 clients at Auto Chongqing and the Chengdu Motor Show during the year.

At the Third China International Import Expo in Shanghai in 2020, we were entrusted to provide services for over 20 high-profile brands. We also activated brand presences at various exhibitions, including ChinaJoy in Beijing; the Digital China Summit in Fuzhou; the China International Medical Equipment Fair and the Watches and Wonders Exhibition in Shanghai; and the China Information Technology Expo in Shenzhen.

Outside China, the Group delivered projects for multiple major brands in various international tradeshows and events, including the Mobile World Congress Barcelona; Land Forces in Brisbane; the Arabian Travel Market, Gastech, and GITEX Global in Dubai; the ITS World Congress in Hamburg; and EMO Milano.

In Thailand, our key associate Pico (Thailand) Public Company Limited continued to deliver services for 10 brands at the Bangkok International Motor Show and the Thailand International Motor Expo in Bangkok, including Ford, GWM, Harley-Davidson, Mazda, Mercedes-Benz and MG.

## *Events and Brand Activations*

After a year's delay, the Tokyo Olympics proceeded on a high note in 2021. The Group's Olympic work included an extensive overlay project for the archery venue, a major digital activation contract for a Worldwide Olympic and Paralympic Partner, and other hospitality services.

The World Expo in Dubai opened in October 2021, with the Group designing, building and operating some 20 national, corporate and thematic pavilions. These include national pavilions for Algeria, Brazil, Cambodia, Czech Republic, Malaysia, Malta, Peru and the UK, SAIC Motor at the China Pavilion, and PTT at the Thailand Pavilion. In addition to overlay and wayfinding packages, the Group provided interior fit-out services for a temporary structure at the Dubai Exhibition Centre, and retail outlets across the Expo site. The Group was also appointed by the Expo to manage more than 200 events during its six-month duration of the Expo. In terms of contract value, the Group's involvement with Expo Dubai has been the largest in our 30 years of experience in world expositions.

In China, notable in-person brand activation events delivered by the Group during the year included the WEY 4th Anniversary Celebration in Beijing, vivo Game Carnival in Guangzhou, the Li-Ning pop-up store in Nanjing, the Third 'New Voice' Conference by Alibaba's Tmall Hey Box in Shanghai, Huawei Eco in Shenzhen, and Macao Week events for Galaxy, Sands and Wynn in several cities. In Hong Kong, major events delivered included the CENTRESTAGE fashion show, the Red Collection Experience campaign by The Macallan, Poly Auction Hong Kong's 2020 Autumn Auctions and 2021 Spring Auctions, and the commissioning ceremony for the Tuen Mun-Chek Lap Kok Link. In Taiwan, the Group activated events and roadshows for Audi, Jaguar Land Rover, Lexus and Mercedes-Benz, as well as Taipei Fashion Week.

In Singapore, major recurring projects delivered included the HSBC Women's World Championships, the Health Promotion Board's National Steps Challenge, the National Day Parade, and year-round monthly roadshows for OSIM. The Group also delivered the Free Fire World Series game tournament, and the STAR WARS Identities travelling exhibition at the ArtScience Museum. Pop-up stores for Gucci were delivered in Bangkok, Mumbai, Seoul and Singapore.

In the Middle East, we activated the PUBG Mobile Global Championship 2020 Finals in Dubai, Bahrain National Day festivities in Manama, the fireworks display for Formula 1 Grand Prix events in Sakhir, and a brand activation event for the ACWA Power-led Sakaka Solar Power Plant project in Riyadh.

## *Digital Activations*

In mainland China, we delivered the following major digital activation projects during the year: an online platform for the 2020/21 ABB FIA Formula E World Championship, a GE launch event, multiple Google events, the JD Discovery and YouTube Brandcast in Beijing, the AI Cloud Summit in Hangzhou; and the 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 the McDonald's 'Plan To Win' Conference and the Samsung Experience Store's Chinese New Year campaign.

In Singapore, we delivered DBS Transformation Week 2020. A series of virtual events were delivered for HP Inc in Asia, UK and US. Also in the US, a wide variety of virtual events were delivered, ranging from a video game show to a civil rights convention. The Group also activated the inaugural Chief of Army Symposium in Brisbane, Australia.

*Hong Kong Winterfest's virtual tour of Christmas Town*

## *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. During the year, the centre saw the successful delivery of 16 exhibitions and events. It also fulfilled the second year of a four-year (2020-2023) contract with the China (Quanzhou) International Automobile Exhibition.

## *Special Projects: COVID-19 Vaccination and Community Care Facilities*

Following the delivery of a number of temporary care and testing facilities last year, the Group continued to provide expertise to deliver more than 70 vaccination facilities in Hong Kong, Malaysia, Myanmar and Singapore during the period. In Myanmar, our Yangon Convention Centre served as both a community care facility and a vaccination centre during the year.


*Guangdong CPS Digitalised Innovation Centre for Smart Discrete Manufacturing in Guangzhou*

## Visual Branding Activation

This segment accounted for HK$404 million (2020: HK$325 million) or 10.0% (2020: 9.4%) of total Group revenue. The Group was able to grow both revenue and to achieve segment profit of HK$22.0 million (2020: segment loss HK$5.1 million).

| | Revenue | Profit/(Loss) |
|---|---|---|
| 2021 | HK$404 million | HK$22.0 million |
| 2020 | HK$325 million | (HK$5.1) million |

As newly defined starting from the year under review, this business segment includes interior and retail projects previously classified under 'Museum, Themed Environment, Interior and Retail'. The segment's reclassification reflected an expansion of its prospects beyond the design and execution of visual branding in physical stores. As currently defined, Visual Branding Activation embraces the comprehensive strategies and execution brands need to build a consistent image with powerful impact across multiple channels and markets.

The segment has recovered its growth momentum and profitability under our strategy of creating higher value-added service offerings. During the year, the Group commenced several contracts in China for automotive sector brands including Bentley, Bosch, Cadillac, Castrol Bosch, Changan Mazda, GAC Aion, General Motors, Infiniti, JMC Ford, Lexus, Lincoln, Maple, Mercedes-Benz, NETA Auto, Nissan, PATEO, Rolls-Royce, SAIC Hongyan, Trumpchi and Volkswagen, as well as brands from other industries, such as DiDi, Babi and KWG. Internationally, the Group won automotive sector contracts for Infiniti, Jaguar Land Rover, Mercedes-Benz and Rousseau. These projects span a wide geographical area including Asia-Pacific, Russia, Europe and North America.

Under interior and retail, the Group completed several corporate showrooms, such as the Taikang Insurance Group Corporate Culture Showroom in Beijing, the Guangdong CPS Digitalised Innovation Centre for Smart Discrete Manufacturing in Guangzhou, the Anta corporate showroom in Jinjiang, Fung Group Explorium and a showroom for SAIC-GM in Shanghai, as well as Glenfiddich retail window displays for 201 stores across 26 cities in China. We also delivered Huawei showrooms in Shenzhen and The Hague, and the Meta Infrastructure Experience Centre in Singapore.

During the year under review, our new smart digital retail concept – developed in time to capture opportunities arising from China's 14th Five-Year plan for a 'Digital China' – started to yield results, with contracts won for SAIC Volkswagen Digital City Showrooms in several cities including Beijing, Chengdu, Hangzhou, Shanghai and Shenzhen. A further contract for multimedia installations included the China Telecom Anhui Smart City Showroom.

## Museum and Themed Entertainment

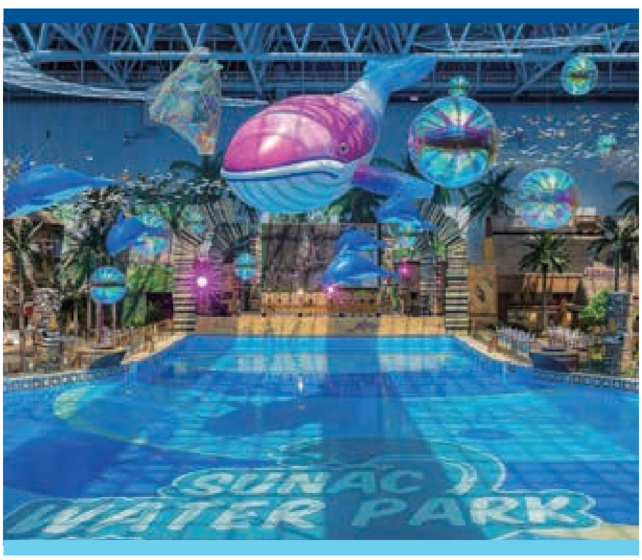
As already mentioned, interior and retail projects have been reclassified under the Visual Branding Activation segment.

The Museum and Themed Entertainment segment accounted for HK$492 million (2020: HK$627 million) or 12.2% (2020: 18.3%) of total Group revenue in the 2021 financial year. Segment profit was HK$59.0 million (2020: HK$90.1 million).

| | Revenue | Profit |
|---|---|---|
| 2021 | HK$492 million | HK$59.0 million |
| 2020 | HK$627 million | HK$90.1 million |

Revenue in this segment dropped during the year, due to project delays caused by the pandemic. Nevertheless, we made good progress on some ongoing projects, and several others were successfully delivered.

In mainland China, completed themed entertainment projects included a Hollywood movie theme park in Beijing, Sunac theme parks in Chongqing, Jinan and Wuxi, and the Shanghai Astronomy Museum.




*Sunac theme parks in Chongqing, Jinan and Wuxi*

*M+ Museum of visual culture in Hong Kong*

In Hong Kong, contracts delivered included the Earth Science Gallery at Hong Kong Science Museum, the Sik Sik Yuen Gallery at Wong Tai Sin Temple, and the M+ Museum of visual culture in the West Kowloon Cultural District. After a temporary halt due to the pandemic, the Group's work for the theme park on Lantau Island resumed and is expected to be completed in 2022.

In Singapore, a contract for an indoor waterpark for HomeTeamNS, and the ongoing construction work for the Bird Park and its arrival entrance in Mandai precinct are targeted for completion in 2022. Work has commenced on Rainforest Lumina's third season at the Singapore Zoo, which will run until February 2022.

In the Middle East, due to the lockdown measures, a large-scale museum project in Oman was delayed further but it has been substantially completed in the year and expected to handover the museum to the client in the first half of financial year 2022.

The Group continued to provide specialised consultancy services for themed entertainment projects. During the year, we delivered master planning services and conducted feasibility studies for clients including a world-class surf park resort at Parkwood Village in the Gold Coast, Queensland and Light/State light installations for the Mildura and Wentworth regions in Australia; and the NovaWorld Ho Tram Waterpark in Vietnam.

Work on several new contracts also commenced during the year, including Warner Bros. World Abu Dhabi and the Hong Kong Museum of Coastal Defence. All are targeted to be fulfilled during the 2022 financial year.


*Singapore Week of Innovation and TeCHnology*

## Meeting Architecture Activation

This segment accounted for HK$38 million (2020: HK$43 million) or 0.9% (2020:1.3%) of total Group revenue. Segment profit was HK$9.7 million (2020: segment loss HK$8.2 million).

| | Revenue | Profit/(Loss) |
|---|---|---|
| 2021 | **HK$38** million | **HK$9.7** million |
| 2020 | HK$43 million | (HK$8.2) million |

Key markets for this segment in Southeast Asia were deeply impacted by the pandemic throughout the financial year.

In Singapore, the Group completed its five-year contract with the EU Business Avenues, an initiative to help European companies establish lasting business collaborations in Southeast Asia. Several virtual business missions, including Construction and Building Technologies, Environment and Water Technologies, and Healthcare and Medical Technologies, were delivered during the period.

The Group also delivered the inaugural Operational Technology Cybersecurity Expert Panel Forum in hybrid format for the Cyber Security Agency of Singapore. Other events in Singapore included the Asia Pacific Intensive Care Symposium, the Asia Tech x Singapore Summit, Food Japan, the Singapore Anaesthesia Refresher Course, the Singapore Week of Innovation and TeCHnology, and TechLaw.Fest. The FUTR Asia Summit and FUTR Europe Summit were delivered in Singapore and London, respectively.

In Abu Dhabi, Semi Permanent Middle East, positioned as one of the largest creativity and design festivals in the southern hemisphere, made its Middle East debut in October 2021.

Throughout the year, the Philippines was subject to varying levels of ‘enhanced community quarantine’. As such, most of its recurring exhibitions were postponed to 2022, including Automechanic Philippines, Beauty + Health and Wellness Manila, the Hotel Suppliers Show, Manufacturing Technology World, Pack Print Plas Philippines, the Supply Chain, Warehouse, and Storage Solutions Expo, and the Transport, Utilities and Logistics Expo. Their continuation in virtual or hybrid format will depend on the COVID-19 situation. Despite this pandemic, the Group’s VX Events unit successfully continued many long-established exhibitions in virtual formats, including the ASEAN International Furniture and Furnishings Show, three Philconstruct shows, the Philippine National Trade Fair, and the Thailand Week Exhibition.

We continued to see success in this segment during the year with newly confirmed contracts for virtual events such as the Asia-Pacific Economic Cooperation (APEC) conference, the Asian Paint Industry Council Convention and the Philippine Association of Paint Manufacturers 60th Anniversary Celebration, Rotary Club DisCon, the Megaworld International Philippine Property Expo: Revolutionising the Future of Real Estate, and the 3DEXPERIENCE 2022 launch.

## Financial Position

As at year end date, the total net tangible assets of the Group increased by 17.8% to about HK$1,648 million (2020: HK$1,399 million).

Bank and cash balances amounted to HK$1,483 million (2020: HK$1,304 million), with HK$4 million pledged bank deposits (2020: HK$2 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK$754 million (2020: HK$638 million).

Total borrowings were HK$729 million at October 31, 2021 (2020: HK$666 million). Borrowings 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$4 million (2020: HK$2 million) carry fixed interest rate.

| | **2021 HK$' million** | 2020 HK$' million |
|---|---|---|
| Bank and cash balances | **1,479** | 1,302 |
| Pledged bank deposits | **4** | 2 |
| Less: Borrowings | **(729)** | (666) |
| Net cash balance | **754** | 638 |

For the year ended October 31, 2021, the Group invested HK$7 million (2020: HK$31 million) in property, plant and equipment; HK$46 million (2020: nil) in intangible assets. All these were financed from internal resources and bank borrowings.

The Group has HK$392 million (2020: HK$394 million) long-term borrowings and HK$127 million (2020: HK$153 million) long-term lease liabilities at October 31, 2021. The current ratio was 1.46 times (2020: 1.51 times); the liquidity ratio was 1.45 times (2020: 1.50 times); and the gearing ratio was 9.64% (2020: 11.47%).

| | **2021** | 2020 |
|---|---|---|
| Current ratio (current assets/current liabilities) | **1.46 times** | 1.51 times |
| Liquidity ratio (current assets – excluding inventories/current liabilities) | **1.45 times** | 1.50 times |
| Gearing ratio (long-term borrowings including long-term lease liabilities/total assets) | **9.64%** | 11.47% |

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 are already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the year. The Group has adopted a hedging policy to hedge the exposure to minimise the impact of foreign currency risk on cash flow. It is the Group's policy not to enter into derivative transactions for speculative purposes.

## Employees and Emoluments Policies

At October 31, 2021, the Group employs some 2,000 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 year was about HK$865 million (2020: HK$844 million).

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

## Pledge of Assets

At October 31, 2021, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Freehold land and buildings | **58,789** | 57,813 |
| Leasehold land and buildings | **118,113** | 117,018 |
| Pledged bank deposits | **3,676** | 1,962 |
| | **180,578** | 176,793 |

## Contingent Liabilities

At October 31, 2021, the Group has issued the following guarantees:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Performance guarantees | | |
| – secured | **144,647** | 135,130 |
| – unsecured | **37,400** | 45,853 |
| | **182,047** | 180,983 |
| Other guarantees | | |
| – secured | **2,533** | 4,397 |

At October 31, 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.

## Capital Commitments

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Capital expenditures in respect of property, plant and equipment and other investment | | |
| – contracted but not provided for | **6,951** | 8,035 |
| – authorised but not contracted for | **6,541** | 7,806 |
| | **13,492** | 15,841 |

# Outlook

Now in its third year, the COVID-19 pandemic continues to impact our lives – particularly on social and business activities – and shows little sign of ending in the foreseeable future. The full market impact of the new Omicron variant is yet to be felt.

Our business has not been immune to the effects of the pandemic, but we are confident that our new 'Reimagine, Reinvigorate and Reinvent' vision and the 'Go Digital and One Pico' strategies implemented several years ago will enable the Group to continue to recover our growth impetus amid a rapidly changing business environment.

The Group's continuing success in meeting demand for digital and hybrid events and the overall revival of in-person events underpin our expectation of further improvement in 2022.

The Group therefore moves into another new year with both cautious optimism and a readiness to respond to potential market disruption.

China's 14th Five-Year Plan presented a number of policies to boost economic growth which promise even greater opportunity in coming years. In particular, the 'Digital China' policy may in due course impact our clients' budget planning in a direction favourable to all segments of our business.

In the Exhibition, Event and Brand Activation segment, the Group provided services for some 20 brands at the Fourth China International Import Expo in 2021, and 18 brands at Auto Guangzhou in November 2021.

The Group has also been appointed official service provider for a number of exhibitions in the next financial year. These include Beijing InfoComm China and Fenestration BAU China in Beijing; the China International Sewing Machinery and Accessories Show in Ningbo; Marintec China in Shanghai; the Hong Kong International Dental Expo and Symposium; and SEMICON Taiwan in Taipei.

Further upcoming events at which the Group has been appointed to deliver a wide variety of services include VSPN's Honor of Kings World Champion Cup in Beijing and King Growth League in Nanchang, the Hong Kong Brands and Products Expo, Hong Kong New Year Countdown Celebrations, and Winter Wonderland in Hong Kong, and brand activations for Galaxy and Wynn for Macao Weeks in various cities in China.

Other major brand activation events worldwide include Mobile World Congress Barcelona, Thailand International Motor Expo and the Thailand National Science and Technology Fair in Bangkok, and DSO 50th Anniversary Celebration events in Singapore. In the US, we helped TCL activate its brand presence at the annual CES international consumer electronics and technology show in Las Vegas in January 2022.

The Group's Visual Branding Activation segment has on hand several ongoing contracts in China and other parts of the world for brands such as Bentley, Changan Mazda, GAC Aion, General Motors, Infiniti, JMC Ford, Lexus, Lincoln, Mercedes-Benz, Nissan, Rousseau, SAIC Hongyan, Trumpchi and ZEEKR.

Among the interior and retail projects scheduled for delivery during the new financial year are Schneider Electric (China) showrooms in Beijing and Xi'an, a showroom for Yili in Hohhot, Sun Yat-Sen University Library in Shenzhen, NCS FutureN Gallery in Singapore, the Sugon Tianjin Industrial Showroom, and a Huawei showroom in Tokyo.

The Group won several major new contracts in the Museum and Themed Entertainment segment, including the Hong Kong Palace Museum and the WWF Education Centre 'Connect with Nature', both of which are targeted for completion in 2022.

The Group entered a partnership with New World Development to jointly develop and operate a new themed attraction at 11 SKIES, the future iconic landmark that combines retail, dining and entertainment at the heart of Airport City in Hong Kong.

In the Meeting Architecture Activation segment, in November 2021 the Group completed the 4th Philconstruct VX, the Financial Education Stakeholders Expo, and the Philippine Institute of Civil Engineers National Convention and Technical Conference in the Philippines. In Singapore, both the Asia Pacific Congress of Clinical Microbiology and Infection and the Asian Society of Paediatric Anaesthesiologists Conference were brought to completion.

During the same month, two events targeting ASEAN countries – the APEC Conference on Pre-packaged Food Packaging and Labelling, and PMI Philippines Chapter National Symposium on Project Management – were delivered.

In the coming year, the Group will deliver FUTR World Middle East Summit in Abu Dhabi; the ASEAN Tourism Forum in Cambodia; and the Hotel Suppliers Show, Pack Print Plas Philippines, Philconstruct and the Transport, Utilities, and Logistics Expo in the Philippines.

The return of face-to-face events in China and other countries is contingent on the success of measures taken to control the spread of COVID-19's Omicron and possibly other variants. Similar to 2021, there are huge uncertainties in how the situation will unfold. However, with our continuing digital transformation and the implementation of digital strategies in our business operations and business service offerings, we are confident and well placed to overcome ongoing and new challenges. We believe our Experience-Led, Digital-First and Content Creation and Community-Building strategies endow us with unique strength in meeting client needs today and tomorrow.

## Conclusion

As we move forward into 2022, the Group wishes to thank all its stakeholders – most notably its clients, shareholders and employees – for their resilience, dedication and enthusiasm during these turbulent times. It is with their continued support that the Group will succeed in growing its strength and delivering even greater value in the new year and for many more years to come.

By Order of the Board

**Lawrence Chia Song Huat**
*CHAIRMAN*

Hong Kong, January 25, 2022

## Executive Directors

**Lawrence Chia Song Huat**, aged 61, has worked in the event industry for more than 38 years and has been Chairman of the Group since 1994. He is a graduate of The University of Tennessee, having majored in Finance, and received The University of Tennessee Outstanding International Alumni Award in 2016. In 2006, he received the International Executive in Sport and Entertainment Award from the University of South Carolina in the US. He is currently Chairman of the Singapore Chamber of Commerce (Hong Kong). Mr Chia is an uncle of Ms Jean Chia Yuan Jiun, a director of the Group. He is also a younger brother of Mr Chia Siong Lim, and an uncle of Mr Jack Chia Chay Shiun, both members of the Group's senior management.

**Jean Chia Yuan Jiun**, aged 48, has worked in the event industry for more than 20 years. Currently Group President with overall responsibility for developing global corporate strategies, she also oversees Group businesses and operations in Southeast Asia. She is also Chief Executive Officer and an executive director on the board of Pico (Thailand) Public Company Limited, which is listed on the Stock Exchange of Thailand. She is a graduate of The London School of Economics and Political Science at the University of London, having majored in Economics. Ms Chia worked in the corporate finance industry in London, Hong Kong and Singapore before joining the Group. She is a niece of Mr Lawrence Chia Song Huat, a director of the Group. She is also the daughter of Mr Chia Siong Lim and the elder sister of Mr Jack Chia Chay Shiun, both members of the Group's senior management.

**Albert Mok Pui Keung**, aged 57, is currently the Group's Senior Vice President – Finance. Mr Mok joined the Group in 1991. He graduated with a Bachelor's degree in Accounting from the Ulster University in the UK. Prior to joining the Group, he worked for an international audit firm in Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants.

## Independent Non-Executive Directors

**Charlie Yucheng Shi**, aged 59, has been an independent non-executive director of the Company since 2002. Mr Shi has had over two decades of investment experience, and previously served as Managing Director of Omaha Capital China, which focused on growth and venture capital investments in the Greater China region. He holds a Bachelor of Arts degree in Economics from Fudan University in Shanghai, an MBA from California Lutheran University, and is a graduate of the Advanced Management Program at Harvard Business School.

**Frank Lee Kee Wai**, aged 62, has been a non-executive director of the Company since 1992 and is the senior partner at Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. He holds a Bachelor of Law degree from The London School of Economics and Political Science and obtained a Master of Laws degree from the University of Cambridge. Mr Lee is a qualified solicitor in Hong Kong, England, Singapore and the Australian Capital Territory. He is also a China-appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. Mr Lee is also currently an independent non-executive director of Vision Values Holdings Limited and Mongolia Energy Corporation Ltd.

**Gregory Robert Scott Crichton**, aged 70, has been an independent non-executive director of the Company since 1998. He has held numerous directorships in various entities and countries including American International Assurance Co., Ltd. (AIA) and continues to work in the insurance industry. He served as President Commissioner of an Indonesian life insurance company and was an advisor to a successful Singapore reinsurance start-up, as well as serving on the Inland Revenue Board of Review and other bodies. He is currently a non-executive director and advisor to a major international insurer and sits on a number of related committees; he is also the Managing Director of a Hong Kong-based trust and corporate service provider company. He is a graduate in Law from the University of Sydney and holds a Bachelor of Arts degree from the University of New South Wales. He is admitted as a solicitor of the Supreme Court of Hong Kong and is also a solicitor of the Supreme Court of England and Wales.

**James Patrick Cunningham**, age 67, has been an independent non-executive director of the Company since 2004. He holds a Bachelor of Science degree in Business Administration from Adelphi University in Garden City, New York. He also attended some advance management courses at the INSEAD in France. Mr Cunningham has spent over 40 years in the fashion retail and apparel industry. From 1990 until 2004, he was Senior Vice President and Corporate Officer of the Gap Inc. Since 2004, Mr Cunningham has been a private investor and independent retail and supply consultant and advisor for various public and private corporations in Asia, Europe and the United States. Most notably, he was a special advisor to the Shinsegae Group in South Korea from 2005 until 2020. Over the past 25 years he has been a Director of Summerbridge Hong Kong, a privately funded NGO specialising in delivering transformational educational programmes to economically challenged young students in Hong Kong. He has been an active member of the Young Presidents' Organisation for more than 25 years and is now a YPO Gold International Lifetime Member.

## Senior Management

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

**Chia Siong Lim**
*Honorary Chairman of Pico Far East Holdings Limited*

aged 75, has worked in the exhibition industry for more than 50 years and is the founder of the Pico Group. Over the years, he has been involved in key investments that laid a strong foundation for the Group to grow into what it is today. He is also Chairman of the Intertrade group, which directs the development of exhibition hall management business. He is an elder brother of Mr Lawrence Chia Song Huat and the father of Ms Jean Chia Yuan Jiun, both directors of the Group. He is also the father of Mr Jack Chia Chay Shiun, a member of the Group's senior management.

**Jack Chia Chay Shiun**
*Vice President, Corporate Business Development*

aged 45, has worked in the meetings, incentives, conventions and exhibitions (MICE) industry for more than 20 years. He began at Pico Singapore before taking up a management role in Pico Shanghai for seven years followed by six years at MP International. In early 2018, he took up his current role and is now responsible for global business development for the Group. He graduated with a Bachelor of Science in Entrepreneurship (Cum Laude) from Babson College in Massachusetts in the US. He is a nephew of Mr Lawrence Chia Song Huat and the younger brother of Ms Jean Chia Yuan Jiun, both directors of the Group. He is also the son of Mr Chia Siong Lim, a member of the Group's senior management.

**Fareeda Cassumbhoy**
*Group Chief Digital Officer*

aged 50, joined the Group in 2018 as Group Chief Digital Officer and is focused on driving digital transformation across the Group. Ms Cassumbhoy's career began over 26 years ago at WPP, where she honed her expertise in brand strategy. She later became Chief Strategy Officer at Hylink, an agency known for its use of digital media and data technology. Her professional knowledge of data technology and innovative business models have made her a guest speaker and a judge at events by numerous business schools and professional bodies, one of the most notable being the Cyber Lions category at the Cannes Lions International Festival of Creativity. Ms Cassumbhoy holds a Global EMBA from The University of Southern California's Marshall School of Business. Currently she is a Learning Partner of the Doctor of Business Administration programme at City University of Hong Kong, and was listed as an advisory board member of the Sales and Marketing Consulting Unit of its Department of Marketing.

**Chung Chee Keong**
*Director, Corporate Development and Human Resources*

age 55, joined the Group in 1993. He oversees the corporate strategies in human resources and leadership development, and leads its sustainability initiatives. He is a board member of Pico (Thailand) Public Company Limited, listed on the Stock Exchange of Thailand. Prior to his current appointment, he was Vice-President of Finance for the South Asia region and was also responsible for venue operations in Vietnam and Sri Lanka. He holds a Bachelor of Accountancy from the National University of Singapore, and was a qualified Chartered Accountant (Singapore) with a Big Four accounting firm.

**Danny Ku Yiu Chung**
*Group President (China)*

aged 56, joined the Group in 1994 and in his current role oversees the entire business and operations in the China region. For more than two decades prior, he led the establishment and development of the Group's visual branding activation business portfolio in China and its expansion into other regions including Asia and Europe. He is a member of the Chinese People's Political Consultative Conference Jiading Committee of Shanghai; Vice Chairman of the Federation of Returned Overseas Chinese, Jiading District, Shanghai; Vice Chairman of the Shanghai Hong Kong Association (SHKA); Chairman of the Hong Kong Enterprises Association, Jiading District, Shanghai.

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

aged 54, began his career at Pico Singapore and has worked in Beijing for 20 years. He graduated from the University of Hong Kong with a Bachelor's degree in Mechanical Engineering and holds a Postgraduate Diploma in Integrated Marketing Communications from HKU School of Professional and Continuing Education. He also obtained an Advanced Certificate for Executives in Management, Innovation, and Technology from MIT Sloan Executive Education School.

**Anne Li Lai Chun**
*Executive Director (Pico Hong Kong)*

aged 56, joined the Group in 1989 and has more than 30 years of experience in the exhibition and event industry. She is currently responsible for the operation of Pico Hong Kong. A graduate from the National University of Ireland, she also completed an Executive Education programme in International Business jointly conducted by Stanford University and National University of Singapore.

**Lim Chiew Wee**
*Regional Managing Director (Pico+ Group; Pico EMEA, Japan, Korea, Shanghai and Taiwan)*

aged 46, joined the Group in 2000 and has more than 20 years of experience in the marketing industry. He is currently responsible for managing the global operations of the Pico+ Group as well as managing Pico EMEA, Japan, Korea, Shanghai and Taiwan. He obtained his Bachelor of Science degree in Economics from The London School of Economics and Political Science at the University of London. He has also completed a joint executive programme conducted by Harvard Business School, China Europe International Business School and Tsinghua University.

**Rita Lui Yuk**
*Executive Director (South China)*

aged 52, joined the Group in 1998. In 2002, she was seconded from Hong Kong to Shenzhen to start up Pico Shenzhen. She is currently responsible for spearheading business development and managing the operations of various entities in the South China region including Guangzhou, Shenzhen and the Greater Bay Area. She holds a Bachelor's degree in Science in Building Technology and Management from Hong Kong Polytechnic University and a Master's degree in Business Administration from Centenary College in New Jersey in the US. She also completed an EMBA course for president-level students in Innovative Leadership at the Yangtze Delta Region Institute of Tsinghua University, Zhejiang.

**Stephen Siu Wing Tsing**
*Chief Technology Officer*

aged 50, joined the Group in 2018 and is focused on leveraging technology for digital transformation. He has more than 25 years of experience in software engineering and has worked in senior engineering leadership roles in companies such as Microsoft Corporation and Snap Inc. He has deep expertise in cloud technology and big data and earned both a Bachelor's and Master's degree in Electrical Engineering from the University of Waterloo in Canada.

**Peter Sng Kia Tuck**
*Regional Managing Director (Middle East)*

aged 63, joined the Group in 1989 and has worked in the exhibition industry for more than 30 years. He is based in Dubai and is responsible for the businesses and operations in the Middle East. Mr Sng graduated from The University of Kansas with a Bachelor of Science in Business Administration and a Bachelor of General Studies in Psychology.

Revenue
HK$4,052 million

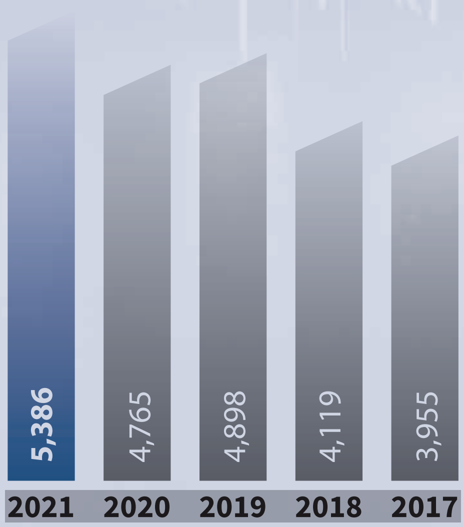
(HK$' million)


Profit attributable to owners of the Company
HK$136.9 million

(HK$' million)

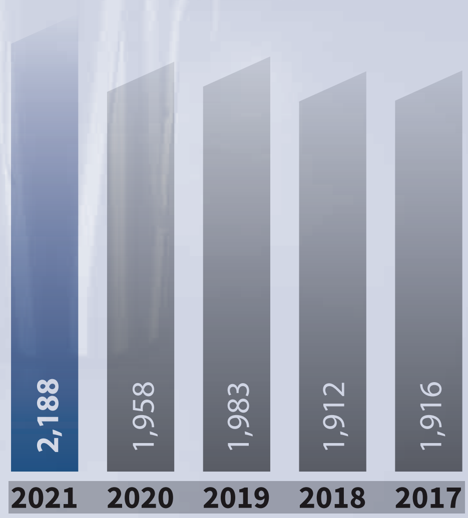

Total assets
HK$5,386 million

(HK$' million)




Equity attributable to owners of the Company
HK$2,188 million

(HK$' million)



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

# RESULTS

| | Year ended October 31 | | | | |
|---|---|---|---|---|---|
| | 2017 HK$'000 | 2018 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | **2021 HK$'000** |
| Revenue | 3,978,751 | 4,631,350 | 5,016,710 | 3,438,111 | **4,051,864** |
| **OPERATING PROFIT** | | | | | |
| Profit from core operations (after finance costs) | 354,998 | 362,038 | 377,190 | 90,583 | **147,449** |
| Change in remeasurement of contingent consideration | (2,686) | (34,432) | (41,820) | 19,342 | **46,125** |
| Amortisation of other intangible assets arising from business combinations | (1,134) | (16,537) | (30,982) | (39,632) | **(39,628)** |
| Share of profits (losses) of associates | 17,220 | 25,532 | 14,349 | (10,989) | **2,584** |
| Share of (losses) profits of joint ventures | (103) | 29 | 15 | – | **–** |
| Profit before tax | 368,295 | 336,630 | 318,752 | 59,304 | **156,530** |
| Income tax expense | (71,938) | (63,468) | (54,619) | (3,355) | **(25,509)** |
| Profit for the year | 296,357 | 273,162 | 264,133 | 55,949 | **131,021** |
| Attributable to: | | | | | |
| Owners of the Company | 281,439 | 271,508 | 256,831 | 50,536 | **136,909** |
| Non-controlling interests | 14,918 | 1,654 | 7,302 | 5,413 | **(5,888)** |
| Profit for the year | 296,357 | 273,162 | 264,133 | 55,949 | **131,021** |

# ASSETS AND LIABILITIES

| | At October 31 | | | | |
|---|---|---|---|---|---|
| | 2017 HK$'000 | 2018 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | **2021 HK$'000** |
| Total assets | 3,955,458 | 4,118,979 | 4,897,619 | 4,764,940 | **5,385,841** |
| Total liabilities | 1,955,596 | 2,121,398 | 2,742,316 | 2,667,427 | **3,066,373** |
| Net assets | 1,999,862 | 1,997,581 | 2,155,303 | 2,097,513 | **2,319,468** |
| Equity attributable to owners of the Company | 1,916,188 | 1,912,441 | 1,982,875 | 1,957,974 | **2,187,658** |
| Non-controlling interests | 83,674 | 85,140 | 172,428 | 139,539 | **131,810** |
| Total equity | 1,999,862 | 1,997,581 | 2,155,303 | 2,097,513 | **2,319,468** |

The Board of Directors (the "Board") of Pico Far East Holdings Limited (the "Company") is always committed to maintaining high standards of corporate governance. During the year ended October 31, 2021, the Company has complied with the code provision (the "CG Code") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviation:

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

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the year ended October 31, 2021.

## The Board

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

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

Four board meetings and one general meeting were held during the financial year ended October 31, 2021. The attendance of the Directors is set out below:

| Directors | Attendance at board meetings | Attendance at general meeting |
|---|---|---|
| **Executive Directors** | | |
| Lawrence Chia Song Huat *(Chairman)* | 4 | 1 |
| Jean Chia Yuan Jiun | 4 | 1 |
| Mok Pui Keung | 4 | 1 |
| **Independent Non-Executive Directors** | | |
| Gregory Robert Scott Crichton | 4 | 1 |
| James Patrick Cunningham | 4 | – |
| Frank Lee Kee Wai | 4 | – |
| Charlie Yucheng Shi | 4 | – |

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

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

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

The Directors have fixed term of appointment and subject to re-election at the annual general meeting ("AGM") of the Company.

## Directors' Continuous Training and Development

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

The Directors are committed to complying with the CG Code A6.5 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended October 31, 2021 to the Company.

The individual training record of each Director received for financial year ended October 31, 2021 is set out below:

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

## The Chairman and the Chief Executive Officer

Under CG Code A2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

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

## Non-Executive Directors

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

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

## Remuneration Committee

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

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

One Remuneration Committee meeting was held during the financial year ended October 31, 2021. Members of the Remuneration Committee and the attendance of each member are set out below:

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

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

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

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

## Audit Committee

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

The Audit Committee is responsible for reviewing half-year and annual financial statements; the risk management and internal control systems.

Three Audit Committee meetings were held during the financial year ended October 31, 2021. Attendance of the members is set out below:

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

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

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

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

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

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

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

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

## Nomination Committee

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

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

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

One Nomination Committee meeting was held during the financial year ended October 31, 2021. Attendance of the members is set out below:

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

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

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

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

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

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

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

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

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

- the strategy of the Company;

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

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

- the board diversity policy of the Company as adopted/amended by the Board from time to time;

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

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

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

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

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

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

## Auditor's Remuneration

Total auditor's remuneration for the year is HK$4,427,000 (2020: HK$4,778,000) representing:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Charged by RSM Hong Kong | **2,080** | 2,160 |
| Charged by other RSM network firms | **284** | 208 |
| Overseas subsidiaries not audited by RSM Hong Kong and its network firms | **1,534** | 1,933 |
| The People's Republic of China (the "PRC") subsidiaries with different year end date | **529** | 477 |
| | **4,427** | 4,778 |

There was HK$39,000 (2020: HK$27,000) non-audit service provided by RSM Hong Kong or other RSM network firms for the year ended October 31, 2021.

## Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended April 30, 2021 and for the year ended October 31, 2021, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

## Risk Management and Internal Controls

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

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

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

## Shareholders Rights

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

There are no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act (2021 Revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

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

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

## Investor Relations and Communication with Shareholders

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

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

## Dividend Policy

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

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

- the actual and expected financial performance of the Group;
- Company's reserves available for distribution to shareholders;
- the current and future liquidity position and working capital requirements of the Group;
- expected cash flows for business operations, business strategies and future development needs;
- future expansion plans and cash commitments;
- economic conditions and other internal or external factors that may have an impact on the business, financial performance and/or position of the Group; and
- other factors that the Board deems relevant.

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

The Directors present their annual report and the audited consolidated financial statements for the year ended October 31, 2021.

## Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 47 to the consolidated financial statements.

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

## Business Review

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred for the financial year ended October 31, 2021, and the likely future development in the Group's business can be found in the section headed "Chairman's Statement". Details about the Group's financial risk management are set out in Note 6 to the consolidated financial statements. These discussions form part of this Directors' Report. The Environment, Social and Governance Report of the Company to be published within five months after the end of the financial year shall also form part of the business review.

## Five Year Financial Summary

A five year financial summary of the results and of the assets and liabilities of the Group is set on page 18.

## Results and Appropriations

The results of the Group for the year ended October 31, 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 44 to 45.

The Directors now recommend the payment of a final dividend of HK5.0 cents (2020: HK2.5 cents) per ordinary share. Together with the interim dividend of nil (2020: nil) per ordinary share, total dividend for the year amounted to HK5.0 cents (2020: HK2.5 cents) per ordinary share. The final dividend will be payable on Thursday, April 14, 2022 to shareholders on the register of members of the Company on Wednesday, April 6, 2022.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 48 to 49 and Note 36 to the consolidated financial statements respectively.

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the retained earnings which amounted to HK$751,527,000 (2020: HK$771,047,000). Under the Companies Act (2021 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

## Major Customers and Suppliers

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

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

## Equity Linked Agreements

Save as disclosed in the section "Share Options" on pages 30 to 33 contained in this Directors' Report and set out in Note 35 to the consolidated financial statements, no equity linked agreements were entered into during the year or subsisted at the end of the year.

## Shares Issued during the Year

Details of shares issued during the year ended October 31, 2021 are set out in Note 34 to the consolidated financial statements.

## Principal Investment Properties

Details of principal investment properties held for investment purposes are set out in Note 16 to the consolidated financial statements and in the section "Summary of Principal Investment Properties".

## Donation

Donation made by the Group during the year amounted to HK$60,000.

## Directors and Directors' Service Contracts

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

**Executive Directors**

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

**Independent Non-Executive Directors**

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

In accordance with article 116 of the Company's articles of association, Ms. Jean Chia Yuan Jiun, Messrs. James Patrick Cunningham and Frank Lee Kee Wai retire and being eligible, offer themselves for re-election.

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

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

## Biographical Details of Directors and Senior Management

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

## Directors' Material Interests in Transactions, Arrangement and Contracts

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

## Directors' Interests in Shares

At October 31, 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 ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

| 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 a)* | 14,826,000 | – | 14,826,000 | 1.20% |
| Ms. Jean Chia Yuan Jiun | *(Note b)* | 1,475,000 | – | 1,475,000 | 0.12% |
| Mr. Mok Pui Keung | *(Note c)* | 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 AGM of the Company held on March 22, 2012, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") under which the Directors of the Company may grant options to eligible persons ("Eligible Person(s)") to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the Scheme will remain valid for a period of 10 years from the date of its adoption.

## 1. The Scheme

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

### (i) Purpose

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

### (ii) Eligible Person

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

(b) Any non-executive as approved by the Board.

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

(a) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 121,342,410 shares, representing approximately 9.80% of the issued share capital as at October 31, 2021.

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

### (iv) Maximum entitlement of each Eligible Person

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

### (v) Timing for exercise of options

(a) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result.

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

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

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

## (vii) Basis for determination of exercise price

The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of:

(a) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an Eligible Person, which must be a business day;

(b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; or

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

## (viii) Life of the Scheme

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

## 2. Outstanding options

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

| | | Outstanding at November 1, 2020 | Number of share options granted | Number of share options exercised | Number of share options lapsed | Outstanding at October 31, 2021 |
|---|---|---|---|---|---|---|
| *Category 1: Directors* | | | | | | |
| 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 |
| Total Directors | | 2,239,000 | 4,000,000 | – | – | 6,239,000 |
| *Category 2: Employees* | | | | | | |
| | *(Note a)* | 284,000 | – | – | (284,000) | – |
| | *(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 | – | (198,000) | (74,000) | 1,480,000 |
| | *(Note f)* | – | 700,000 | – | – | 700,000 |
| Total employees | | 4,761,000 | 700,000 | (198,000) | (676,000) | 4,587,000 |
| Total all categories | | 7,000,000 | 4,700,000 | (198,000) | (676,000) | 10,826,000 |

*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$1.335.

## 3. Valuation of share options

(i) The fair value of the share options granted in the current year measured as at date of grant ranged from HK$0.210 to HK$0.213 per option.

(ii) 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 life of share options Year(s) | Expected volatility % | Weighted average share price HK$ | Risk-free rate % | Annual dividend yield % |
|---|---|---|---|---|---|---|
| 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 |

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

(iv) The Group recognised the total expenses of HK$852,000 for year ended October 31, 2021 (2020: HK$258,000) in relation to share options granted by the Company.

## Arrangements to Purchase Shares or Debentures

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

Apart from the share option schemes of the Company as disclosed on pages 30 to 33, at no time during the year was the Company, its subsidiary or its fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Contracts of Significance

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

## Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in Note 35 to the consolidated financial statements.

## Connected Transactions

During the year October 31, 2021, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

## Substantial Shareholders

At October 31, 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.

| Name of shareholders | Number of shares/ underlying shares held | Percentage of issued share capital |
|---|---|---|
| Pine Asset Management Limited | 462,167,186 (L) | 37.33% |
| FMR LLC | 123,789,010 (L) | 10.00% |
| Brandes Investment Partners, L.P. | 98,494,000 (L) | 7.95% |
| Northern Trust Corporation | 67,297,175 (P) | 5.44% |

*Note:*

(L) Indicates a long position
(S) Indicates a short position
(P) Indicates a lending pool

Save as disclosed herein, the Company has not been notified of any of other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at October 31, 2021.

## Compliance with Laws and Regulations

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

## Environmental Policies

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

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

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

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

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

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

## Competing Business

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

## Permitted Indemnity Provisions

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

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

During the year ended October 31, 2021, no claims were made against the Directors.

## Purchase, Sale or Redemption of Listed Securities

During the year ended October 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Pre-Emptive Rights

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

## Sufficiency of Public Float

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

## Management Contracts

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

## Independent Non-Executive Directors

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

## Auditor

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

On behalf of the Board

**Lawrence Chia Song Huat**
*CHAIRMAN*

Hong Kong, January 25, 2022

RSM

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

## Opinion

We have audited the consolidated financial statements of Pico Far East Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 165, which comprise the consolidated statement of financial position as at October 31, 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at October 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

1. Impairment of trade debtors and contract assets

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

3. Goodwill and other intangible assets impairment assessment

| Key Audit Matter | How our audit address the Key Audit Matter |
|---|---|
| 1. Impairment of trade debtors and contract assets | |
| Refer to notes 5, 6, 24 and 27 to the consolidated financial statements<br><br>The Group has trade debtors and contract assets with aggregate values of HK$856,147,000 and HK$958,606,000 before the loss allowance for trade debtors of HK$107,342,000 and contract assets of HK$5,807,000 respectively as at October 31, 2021. The Group generally allows a credit period ranged from 30 to 90 days to its customers.<br><br>During the year, impairment loss on trade debtors and contract assets based on management's estimate of the lifetime expected credit losses of HK$38,714,000 and HK$3,885,000 respectively was charged to profit or loss.<br><br>The loss allowance is estimated by taking into account the credit loss experience, aging of trade debtors, customers' repayment history and financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.<br><br>Management concluded that there is adequate loss allowance in respect of the trade debtors and contract assets. This conclusion required significant management judgement in assessing the recoverability of trade debtors and contract assets and estimating the amount of expected credit losses. | Our procedures included:<br><br>– Assessing the grouping of trade debtors and contract assets by considering the nature of the debtors and credit risk characteristics;<br><br>– Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;<br><br>– Assessing the appropriateness of the impairment loss methodology, testing the calculation of the historical loss rates and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions with the assistance of our internal valuation experts;<br><br>– Testing the aging of trade debtors on a sample basis; and<br><br>– Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade debtors and contract assets outstanding at the reporting date. |

| Key Audit Matter | How our audit address the Key Audit Matter |
|---|---|
| 2. Revenue from construction contracts and contract assets/contract liabilities | |
| Refer to notes 5, 6 and 24 to the consolidated financial statements<br><br>The Group provided construction service for museum, themed entertainment and exhibition, event and brand activation. The Group recognised revenue from construction contracts of HK$634,228,000 for the year ended October 31, 2021. As at October 31, 2021, the Group recorded contract assets and contract liabilities for construction contracts of HK$726,842,000 and HK$142,367,000 respectively.<br><br>Revenue from the construction contracts is recognised progressively over time. The Group measures progress towards satisfaction of its performance obligation using an input method based on the proportion of the actual costs incurred relative to the estimated total contract costs.<br><br>In the early stages of a contract, the Group is generally not able to measure the outcome of its performance obligation but expects to recover the contract costs incurred. Revenue is recognised to the extent of those costs until such time that the Group can reliably measure the outcome of the performance obligation.<br><br>The determination of contract revenues requires significant management judgement and estimation. | Our procedures included:<br><br>– Evaluating the estimation of revenue and profit recognised on construction contracts, on a sample basis, by:<br><br>• agreeing the contract sum to signed contracts;<br><br>• understanding from management and project managers about how the percentage of completion was determined;<br><br>• agreeing total budgeted costs to approved budgets;<br><br>• obtaining an understanding from management and project managers how the approved budgets were determined;<br><br>• challenging the reasonableness of key management judgements in preparing the budgets; and<br><br>• challenging management's assessment of the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts.<br><br>– Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and<br><br>– Checking the calculation of the contract assets/contract liabilities. |

| Key Audit Matter | How our audit address the Key Audit Matter |
|---|---|
| 3. Goodwill and other intangible assets impairment assessment | |
| Refer to note 19 to the consolidated financial statements<br><br>As at October 31, 2021 the Group has goodwill of HK$320,896,000 and other intangible assets of HK$218,709,000 including "Trade name", "Show rights", "Marketing related intangible assets", "Customer relationship" and "Non-competition agreements" mainly arising from the acquisitions of subsidiaries since 2016.<br><br>For the purpose of impairment testing, the goodwill and other intangible assets are allocated to the exhibition, event and brand activation, meeting architecture activation and museum and themed entertainment cash-generating unit ("CGU") and tested for impairment at least annually.<br><br>The recoverable amount of the CGU was based on the calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement.<br><br>During the year there was no material impairment on goodwill and other intangible assets. | Our procedures included:<br><br>– Assessing the integrity of the valuation models;<br><br>– Assessing the reasonableness of management's key assumptions based on the current operating environment and our knowledge of the business and industry;<br><br>– Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets;<br><br>– Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and<br><br>– Considering the potential impact of reasonable possible downside changes in the key assumptions. |

## Other Information

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

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

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

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

## Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Eugene Liu.

**RSM Hong Kong**
*Certified Public Accountants*

Hong Kong, January 25, 2022

For the Year Ended October 31, 2021

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Revenue | 8 | **4,051,864** | 3,438,111 |
| Cost of sales | | **(2,870,930)** | (2,312,582) |
| Gross profit | | **1,180,934** | 1,125,529 |
| Other income | 9 | **166,589** | 163,152 |
| Distribution costs | | **(581,785)** | (586,186) |
| Administrative expenses | | **(568,670)** | (538,399) |
| Impairment losses for trade and other debtors, and contract assets | | **(28,743)** | (18,416) |
| Other operating expenses | | **(2,648)** | (30,543) |
| Profit from core operations | | **165,677** | 115,137 |
| Change in remeasurement of contingent consideration | | **46,125** | 19,342 |
| Amortisation of other intangible assets arising from business combinations | | **(39,628)** | (39,632) |
| Profit from operations | | **172,174** | 94,847 |
| Finance costs | 10 | **(18,228)** | (24,554) |
| | | **153,946** | 70,293 |
| Share of profits (losses) of associates | | **2,584** | (10,989) |
| Profit before tax | | **156,530** | 59,304 |
| Income tax expense | 12 | **(25,509)** | (3,355) |
| Profit for the year | 13 | **131,021** | 55,949 |
| Attributable to: | | | |
| Owners of the Company | | **136,909** | 50,536 |
| Non-controlling interests | | **(5,888)** | 5,413 |
| | | **131,021** | 55,949 |
| EARNINGS PER SHARE | 15 | | |
| Basic | | **11.06 cents** | 4.08 cents |
| Diluted | | **11.05 cents** | 4.08 cents |

# Consolidated Statement of Comprehensive Income

For the Year Ended October 31, 2021

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Profit for the year | **131,021** | 55,949 |
| Other comprehensive income: | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI") | **224** | 28 |
| Fair value gain on transfer of property, plant and equipment to investment properties | **57,056** | – |
| | **57,280** | 28 |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **57,488** | 41,963 |
| Share of other comprehensive income of associates | **1,310** | (1,849) |
| Exchange differences reclassified to profit or loss on dissolution of subsidiaries | **234** | (738) |
| Cash flow hedges | | |
| Net movement in the hedging reserve | **7,230** | 4,491 |
| | **66,262** | 43,867 |
| Other comprehensive income for the year, net of tax | **123,542** | 43,895 |
| Total comprehensive income for the year | **254,563** | 99,844 |
| Attributable to: | | |
| Owners of the Company | **259,597** | 95,996 |
| Non-controlling interests | **(5,034)** | 3,848 |
| | **254,563** | 99,844 |

At October 31, 2021

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | 16 | **289,105** | 131,541 |
| Property, plant and equipment | 17 | **607,597** | 696,061 |
| Right-of-use assets | 18 | **223,839** | 260,200 |
| Intangible assets | 19 | **539,605** | 558,968 |
| Interests in joint ventures | 20 | **–** | – |
| Interests in associates | 21 | **105,548** | 116,600 |
| Financial assets at FVTOCI | 22 | **11,881** | 3,867 |
| Deferred tax assets | 38 | **4,178** | 3,346 |
| Loan due from an associate | 28 | **8,572** | 8,988 |
| | | **1,790,325** | 1,779,571 |
| **Current Assets** | | | |
| Inventories | 23 | **24,393** | 23,088 |
| Contract assets | 24 | **952,799** | 697,867 |
| Financial assets at fair value through profit or loss ("FVTPL") | 25 | **24,778** | – |
| Derivative financial assets | 26 | **10,295** | 8,138 |
| Debtors, deposits and prepayments | 27 | **1,077,232** | 924,222 |
| Amounts due from associates | 28 | **17,338** | 21,885 |
| Amounts due from joint ventures | 28 | **407** | 270 |
| Current tax assets | | **5,027** | 6,093 |
| Pledged bank deposits | 29 | **3,676** | 1,962 |
| Bank and cash balances | 29 | **1,479,571** | 1,301,844 |
| | | **3,595,516** | 2,985,369 |
| **Current Liabilities** | | | |
| Contract liabilities | 24 | **205,118** | 136,541 |
| Creditors and accrued charges | 30 | **1,846,493** | 1,516,246 |
| Amounts due to associates | 28 | **1,892** | 1,907 |
| Amounts due to joint ventures | 28 | **1,022** | 1,000 |
| Current tax liabilities | | **20,560** | 21,210 |
| Borrowings | 31 | **337,091** | 271,671 |
| Lease liabilities | 32 | **20,359** | 26,462 |
| Contingent consideration | 33 | **33,300** | – |
| | | **2,465,835** | 1,975,037 |
| **Net Current Assets** | | **1,129,681** | 1,010,332 |
| **Total Assets Less Current Liabilities** | | **2,920,006** | 2,789,903 |

At October 31, 2021

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current Liabilities** | | | |
| Borrowings | 31 | **391,971** | 393,933 |
| Lease liabilities | 32 | **127,089** | 152,791 |
| Contingent consideration | 33 | **–** | 78,961 |
| Long-term payable | 33 | **–** | 3,678 |
| Deferred tax liabilities | 38 | **81,478** | 63,027 |
| | | **600,538** | 692,390 |
| **NET ASSETS** | | **2,319,468** | 2,097,513 |
| **Capital and Reserves** | | | |
| Share capital | 34 | **61,910** | 61,901 |
| Reserves | | **2,125,748** | 1,896,073 |
| **Equity attributable to owners of the Company** | | **2,187,658** | 1,957,974 |
| **Non-controlling interests** | | **131,810** | 139,539 |
| **TOTAL EQUITY** | | **2,319,468** | 2,097,513 |

The consolidated financial statements on pages 44 to 165 were approved by the Board of Directors on January 25, 2022 and are signed on its behalf by:

**LAWRENCE CHIA SONG HUAT**
*DIRECTOR*

**MOK PUI KEUNG**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the Year Ended October 31, 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 | 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 year | – | – | – | – | – | – | – | – | 28 | 4,491 | 40,941 | 50,536 | 95,996 | 3,848 | 99,844 |
| Recognition of equity-settled share-based payments | – | – | – | – | 258 | – | – | – | – | – | – | – | 258 | – | 258 |
| Transfer | – | 59 | – | – | (59) | – | 476 | – | – | – | – | (476) | – | – | – |
| Dissolution of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | (1,151) | (1,151) |
| Capital contribution from non- controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | 260 | 260 |
| Issuance of shares to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | 279 | 279 |
| Purchase of non-controlling interests | – | – | – | – | – | – | 1,155 | – | – | – | – | (11,390) | (10,235) | (29,863) | (40,098) |
| Share of other comprehensive income of associates | – | – | – | 43 | – | – | – | – | – | – | – | – | 43 | – | 43 |
| Disposal of partial interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | – | 458 | 458 | (458) | – |
| 2019 final dividend | – | – | – | – | – | – | – | – | – | – | – | (111,421) | (111,421) | – | (111,421) |
| Dividend distribution to non- controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | – | (5,804) | (5,804) |
| At October 31, 2020 | 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 |

# Consolidated Statement of Changes in Equity

For the Year Ended October 31, 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 | 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 year | - | - | - | - | - | - | - | 57,056 | 224 | 7,230 | 58,178 | 136,909 | 259,597 | (5,034) | 254,563 |
| Shares issued at premium *(Note 34)* | 9 | 180 | - | - | - | - | - | - | - | - | - | - | 189 | - | 189 |
| Exercise of equity- settled share-based payments | - | 27 | - | - | (27) | - | - | - | - | - | - | - | - | - | - |
| Recognition of equity- settled share-based payments | - | - | - | - | 852 | - | - | - | - | - | - | - | 852 | - | 852 |
| Transfer | - | 264 | - | - | (264) | - | 2,981 | - | - | - | - | (2,981) | - | - | - |
| Purchase of non- controlling interests *(Note 40)* | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,695) | (2,695) |
| 2020 final dividend *(Note 14)* | - | - | - | - | - | - | - | - | - | - | - | (30,954) | (30,954) | - | (30,954) |
| **At October 31, 2021** | 61,910 | 777,126 | 854 | (11,702) | 3,287 | (419,083) | 33,384 | 60,796 | (6,373) | - | 81,884 | 1,605,575 | 2,187,658 | 131,810 | 2,319,468 |

# Consolidated Statement of Cash Flows

For the Year Ended October 31, 2021

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash flows from operations | *39* | **281,092** | 199,448 |
| Interest paid | | **(10,991)** | (16,143) |
| Income taxes paid | | **(23,501)** | (25,101) |
| Interest on lease liabilities | | **(7,100)** | (8,283) |
| **Net Cash Generated from Operating Activities** | | **239,500** | 149,921 |
| **Cash Flows from Investing Activities** | | | |
| Purchase of property, plant and equipment | | **(7,398)** | (30,513) |
| Purchase of other intangible assets | | **(46,351)** | – |
| Purchase of financial assets at FVTOCI | | **(7,828)** | – |
| Proceeds on disposal of property, plant and equipment | | **4,038** | 1,996 |
| Settlement of consideration payable for acquisition of subsidiaries | | **(27,009)** | (6,889) |
| (Increase) decrease in pledged bank deposits | | **(1,714)** | 13,860 |
| Increase in non-pledged bank deposits with more than three months to maturity | | **(19,735)** | (1,535) |
| Dissolution of joint ventures | | **–** | 547 |
| Net cash outflow upon dissolution of subsidiaries | | **–** | (3,588) |
| Interest received | | **7,118** | 6,681 |
| Interest received from financial assets at FVTPL | | **–** | 175 |
| Dividend income from financial assets at FVTOCI | | **6** | 10 |
| Dividends received from associates | | **2,662** | 16,065 |
| **Net Cash Used in Investing Activities** | | **(96,211)** | (3,191) |

For the Year Ended October 31, 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of ordinary shares | | **189** | – |
| Principal elements of lease payments | | **(17,763)** | (24,887) |
| Short-term borrowings raised (repaid) | | **17,888** | (8,756) |
| Long-term borrowings raised | | **115,516** | 93,949 |
| Repayment of long-term borrowings | | **(70,541)** | (32,389) |
| Dividends paid to non-controlling interests | | **–** | (5,804) |
| Dividends paid to owners of the Company | | **(30,954)** | (111,421) |
| Purchase of remaining shareholding from non-controlling interests | *40* | **(2,695)** | (40,098) |
| Capital contribution from non-controlling interests | | **–** | 260 |
| Settlement of derivative financial instruments | | **–** | (8,015) |
| **Net Cash Generated from (Used in) Financing Activities** | | **11,640** | (137,161) |
| **Net Increase in Cash and Cash Equivalents** | | **154,929** | 9,569 |
| **Cash and Cash Equivalents at Beginning of Year** | | **1,293,928** | 1,272,140 |
| Effect of foreign exchange rate changes | | **3,063** | 12,219 |
| **Cash and Cash Equivalents at End of Year** | | **1,451,920** | 1,293,928 |
| **Analysis of the Balances of Cash and Cash Equivalents** | | | |
| Bank and cash balances | *29* | **1,451,920** | 1,293,928 |

# 1. General Information

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in Notes 47, 48 and 49 to the consolidated financial statements respectively.

# 2. Basis of Preparation

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

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

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

## Application of new and revised HKFRSs

The Group has applied the Amendments to References to the conceptual framework in HKFRS standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after November 1, 2020 for the preparation of the financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of material |
| Amendments to HKFRS 3 | Definition of a business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest rate benchmark reform |
| Amendments to HKFRS 16 | COVID-19 Related rent concessions |

Except as described below, the application of the Amendments to References to the conceptual framework in HKFRS standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

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

## Application of new and revised HKFRSs (Continued)

### 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 applies the practical expedient to all qualifying COVID-19 Related rent concessions granted to the Group during the year. 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 18 to the consolidated financial statements). There is no impact on the opening balance of equity at November 1, 2020.

## New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning November 1, 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest rate benchmark reform – Phase 2 | January 1, 2021 |
| Amendments to HKFRS 3 Reference to the conceptual framework | January 1, 2022 |
| Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use | January 1, 2022 |
| Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract | January 1, 2022 |
| Annual Improvements to HKFRSs 2018 – 2020 Cycle | January 1, 2022 |
| Amendments to HKAS 1 Classification of liabilities as current or non-current | January 1, 2023 |
| Amendments to HKAS 1 Presentation of financial statements and HKFRS Practice Statement 2 Making materiality judgements – disclosure of accounting policies | January 1, 2023 |
| Amendments to HKAS 8 Accounting policies, changes in accounting estimates and errors – definition of accounting estimates | January 1, 2023 |
| Amendments to HKAS 12 Income taxes – deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# 4. Summary of Significant Accounting Policies

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

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

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

## Consolidation

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

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

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

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Consolidation (Continued)

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

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

## Business combination and goodwill

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

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

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Joint arrangements

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

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

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

# 4. Summary of Significant Accounting Policies (Continued)

## Joint arrangements (Continued)

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

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

## Other intangible assets

### Internally-generated intangible assets

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

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

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

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

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

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

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

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 18 months to ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

# 4. Summary of Significant Accounting Policies (Continued)

## Other intangible assets (Continued)

### Intangible assets acquired separately

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

(i) Show rights

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

(ii) Marketing related intangible assets

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

(iii) Customer relationship

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

(iv) Non-competition agreements

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

(v) Trade name

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

(vi) Club memberships

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Foreign currency translation

### Functional and presentation currency

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

### Transactions and balances in each entity's financial statements

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

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

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

### Translation on consolidation

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

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

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under development as described below). Property, plant and equipment are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interest of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as right-of-use assets in the statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interests in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

| | |
|---|---|
| Freehold land | Nil |
| Freehold buildings | 1% - 2% |
| Land and buildings | 2% - 5% or over the terms of the relevant leases |
| Leasehold improvements | 20% |
| Furniture, fixtures and office equipment | 20% |
| Tools, machinery, factory equipment and fittings | 20% - 33 ⅓% |
| Motor vehicles | 20% |
| Operating supplies | 20% - 33 ⅓% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties accounted for in accordance with the policy set out in the accounting policy for revenue and other income in Note 4 to the consolidated financial statements.

## Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

### The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of twelve months or less and leases of low-value assets which, for the Group are primarily laptops and office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

# 4. Summary of Significant Accounting Policies (Continued)

## Leases (Continued)

### The Group as lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with the policy set out in the accounting policy for investment properties in Note 4 to the consolidated financial statements.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

### The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

# 4. Summary of Significant Accounting Policies (Continued)

## Inventories

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

## Contract assets, contract liabilities and other contract costs

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

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

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

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Recognition and derecognition of financial instruments

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

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

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

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

## Financial assets

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

(i) Debt investments

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Financial assets (Continued)

(ii) Equity investments

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

## Trade and other debtors

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

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

## Cash and cash equivalents

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

# 4. Summary of Significant Accounting Policies (Continued)

## Financial liabilities and equity instruments

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

## Borrowings

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

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

## Financial guarantee contracts

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

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

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

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

## Trade and other creditors

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

## Equity instruments

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

# 4. Summary of Significant Accounting Policies (Continued)

## Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

# 4. Summary of Significant Accounting Policies (Continued)

## Derivative financial instruments and hedge accounting (Continued)

### Cash flow hedges

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

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

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

## Revenue and other income

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

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

(i) Revenue from construction contracts

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Revenue and other income (Continued)

(i) Revenue from construction contracts (Continued)

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

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

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

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

(ii) Revenue from visual branding activation

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

(iii) Revenue from exhibition, event and brand activation

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

(iv) Revenue from meeting architecture activation

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

# 4. Summary of Significant Accounting Policies (Continued)

## Revenue and other income (Continued)

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

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

(vii) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

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

## Employee benefits

### Employee leave entitlements

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

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

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

### Pension obligations

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

### Termination benefits

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

## Share-based payments

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

# 4. Summary of Significant Accounting Policies (Continued)

## Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

## Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## Taxation

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Taxation (Continued)

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

# 4. Summary of Significant Accounting Policies (Continued)

## Impairment of non-financial assets

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

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

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

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

## Impairment of financial assets and contracts assets

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Impairment of financial assets and contracts assets (Continued)

### Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

# 4. Summary of Significant Accounting Policies (Continued)

## Impairment of financial assets and contracts assets (Continued)

### Significant increase in credit risk (Continued)

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

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

### Definition of default

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

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

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

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

### Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;

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

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Impairment of financial assets and contracts assets (Continued)

### Write-off policy

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

### Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

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

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

# 4. Summary of Significant Accounting Policies (Continued)

## Provisions and contingent liabilities

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

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

## Events after the reporting period

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

# 5. Critical Judgements and Key Estimates

## Critical judgements in applying accounting policies

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

### Deferred tax for investment properties

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

# 5. Critical Judgements and Key Estimates (Continued)

## Critical judgements in applying accounting policies (Continued)

### Business model assessment

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

### Significant increase in credit risk

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

### Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. Further information provided in Note 18 to the consolidated financial statements.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

# 5. Critical Judgements and Key Estimates (Continued)

## Key sources of estimation uncertainty

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

### Impairment for debtors and contract assets

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

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's trade debtors and contract assets are disclosed in Note 6 to the consolidated financial statements.

As at October 31, 2021, the carrying amount of debtors and contract assets is HK$866,293,000 and HK$952,799,000, net of allowance for bad and doubtful debts of HK$123,999,000 and HK$5,807,000 (2020: HK$778,192,000 and HK$697,867,000, net of allowance for bad and doubtful debts of HK$97,851,000 and HK$1,878,000) respectively.

### Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. The carrying amount of property, plant and equipment as at October 31, 2021 was HK$607,597,000 (2020: HK$696,061,000).

### Fair value of investment properties

The Group appointed independent professional valuers to assess the fair value of the investment properties. In determining the fair value, the valuers have utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility depending on how the COVID-19 pandemic may progress and evolve, which have led to high degree of uncertainties in respect of the valuations in the current year.

The carrying amount of investment properties as at October 31, 2021 was HK$289,105,000 (2020: HK$131,541,000).

# 5. Critical Judgements and Key Estimates (Continued)

## Key sources of estimation uncertainty (Continued)

### Revenue and profit recognition

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

During the year, HK$634,228,000 (2020: HK$811,830,000) of revenue from construction contracts under museum and themed entertainment and exhibition, event and brand activation and visual branding activation was recognised.

### Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$25,509,000 (2020: HK$3,355,000) of income tax was charged to profit or loss.

### Fair value of contingent consideration

As disclosed in Note 33 to the consolidated financial statements, the fair values of the contingent consideration in relation to the acquisitions of Seed Communications LLC d/b/a Sub Rosa ("Sub Rosa"), Camron Public Relations Limited ("Camron PR"), Local Projects, LLC ("Local Projects") and Infinity Marketing Team, LLC ("Infinity") at the date of acquisition were determined using the income approach which is based on the profit forecast of Sub Rosa, Camron PR, Local Projects and Infinity. While the fair values of the contingent consideration at the end of the reporting period were determined using the income approach which is based on the profit forecast of Camron PR and Local Projects, application of profit forecast or management accounts requires the Group to estimate whether the earnings before interest, taxes, depreciation and amortisation (EBITDA) for the two years ended 2021 and 2022; and the EBITDA for the three years ending March 3, 2022 from March 4, 2019 respectively, are expected to be met, and also based on actual earnings before interest and taxes (EBIT) for the year ended 2021; and based on the actual EBITDA for the year ended 2019 for Sub Rosa, and Infinity respectively.

As at October 31, 2021, the carrying amounts of the contingent consideration in relation to the acquisitions of Sub Rosa, Camron PR and Local Projects are HK$33,300,000 (2020: HK$78,961,000) in total.

# 5. Critical Judgements and Key Estimates (Continued)

## Key sources of estimation uncertainty (Continued)

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or there is a change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to a higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

The carrying amount of goodwill at the end of the reporting period was HK$320,896,000 as at October 31, 2021 (2020: HK$321,137,000) after an impairment loss of nil (2020: HK$19,469,000) was recognised during the year. Details of the impairment testing are provided in Note 19 to the consolidated financial statements.

### Fair value of derivative component

The Group appointed an independent firm of qualified professional valuers to assess the fair value of the derivative financial instruments of the right to purchase the remaining equity in FUTR World Limited ("FUTR") as disclosed in Note 26 to the consolidated financial statements. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of the derivative financial assets as at October 31, 2021 were HK$10,295,000 (2020: HK$8,138,000).

### Fair value of measurement of financial investments

In the absence of quoted market prices in an active market, the Directors estimate the fair value of the Group's investment in unlisted equity securities, details of which are set out in Notes 22 to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information, the historical data on market volatility as well as the industry and sector performance of the investment.

The carrying amount of the investments as at October 31, 2021 was HK$11,881,000 (2020: HK$3,867,000).

# 6. Financial Risk Management

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

## Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of Group entities, including Hong Kong dollars, Renminbi ("RMB"), Singapore dollars ("SG dollars") and United States dollars ("US dollars"), but certain business transactions, assets and liabilities are denominated in currencies other than their functional currencies such as Euro, Great Britain pound ("GBP") and United Arab Emirates dirhams. Since 2019, the Group entered into foreign currency forward contracts to hedge the foreign currency risk arising from an exposition project. The Group currently has a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

At October 31, 2021, if the SG dollars had weakened or strengthened 10 per cent against the US dollars, Euro, GBP and Hong Kong dollars with all other variables held constant, consolidated profit after tax for the year would have been HK$10,120,000 (2020: HK$10,428,000), HK$1,197,000 (2020: HK$86,000), HK$876,000 (2020: HK$688,000) and HK$196,000 (2020: HK$234,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors, bank and cash balances and the derivative financial assets denominated in the US dollars, Euro, GBP and Hong Kong dollars respectively.

At October 31, 2021, if the United Arab Emirates dirhams had weakened or strengthened 10 per cent against the US dollars, Euro and GBP with all other variables held constant, consolidated profit after tax for the year would have been HK$6,309,000 (2020: HK$610,000), HK$371,000 (2020: HK$41,000) and HK$344,000 (2020: HK$183,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors and bank and cash balances denominated in the US dollars, Euro and GBP respectively.

At October 31, 2021, if the GBP had weakened or strengthened 10 per cent against Euro and the US dollars with all other variables held constant, consolidated profit after tax for the year would have been HK$166,000 (2020: HK$474,000) and HK$200,000 (2020: HK$24,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors, bank and cash balances and contingent consideration denominated in Euro and the US dollars respectively.

At October 31, 2021, if the US dollars had weakened or strengthened 10 per cent against Vietnamese Dong with all other variables held constant, consolidated profit after tax for the year would have been HK$2,622,000 (2020: HK$1,070,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors and bank and cash balances denominated in Vietnamese Dong.

At October 31, 2021, if the Hong Kong dollars had weakened or strengthened 10 per cent against RMB, Euro and GBP with all other variables held constant, consolidated profit after tax for the year would have been HK$906,000 (2020: HK$2,110,000), HK$94,000 (2020: HK$113,000) and HK$106,000 (2020: HK$192,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors and bank and cash balances denominated in RMB, Euro and GBP respectively.

# 6. Financial Risk Management (Continued)

## Credit risk

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

Except for the financial guarantee given by the Group as set out in Note 44 to the consolidated financial statements, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 44 to the consolidated financial statements.

### Trade debtors and contract assets

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

The Group measures loss allowances for trade debtors and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The provision rates are based on days past due for grouping of various customers segments with shared risk characteristics by geographical region. The provision matrix reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At October 31, 2021, 76% (2020: 83%) and 65% (2020: 79%) of the Group's contract assets and trade debtors respectively are generated from Greater China and Southeast Asia. The loss rates used for Greater China and Southeast Asia are 0.23% – 14.76% (2020: 0.05% – 21.41%).

# 6. Financial Risk Management (Continued)

## Credit risk (Continued)

### Trade debtors and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and contract assets as at October 31, 2021 and 2020:

| | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| **At October 31, 2021** | | | |
| Contract assets | | | |
| Current (not past due) | **0.47 – 3.90** | **958,606** | **(5,807)** |
| Trade debtors | | | |
| Current (not past due) | **0.23 – 3.90** | **323,552** | **(3,584)** |
| Less than 91 days past due | **0.23 – 3.90** | **358,233** | **(14,513)** |
| 91 – 180 days past due | **0.49 – 7.83** | **34,757** | **(1,171)** |
| 181 – 365 days past due | **0.74 – 15.90** | **31,298** | **(8,948)** |
| More than 1 year past due | **0.74 – 100.00** | **108,307** | **(79,126)** |
| | | **856,147** | **(107,342)** |
| At October 31, 2020 | | | |
| Contract assets | | | |
| Current (not past due) | 0.12 – 1.49 | 699,745 | (1,878) |
| Trade debtors | | | |
| Current (not past due) | 0.05 – 1.49 | 363,650 | (1,877) |
| Less than 91 days past due | 0.09 – 2.71 | 204,034 | (1,645) |
| 91 – 180 days past due | 0.17 – 5.41 | 19,176 | (1,159) |
| 181 – 365 days past due | 0.26 – 10.97 | 47,324 | (6,841) |
| More than 1 year past due | 0.26 – 100.00 | 110,847 | (72,877) |
| | | 745,031 | (84,399) |

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

# 6. Financial Risk Management (Continued)

## Credit risk (Continued)

### Trade debtors and contract assets (Continued)

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| At November 1 | **86,277** | 74,529 |
| Impairment losses recognised for the year | **42,599** | 35,357 |
| Amounts written off during the year | **(776)** | (4,091) |
| Allowance written back | **(17,669)** | (21,309) |
| Dissolution of subsidiaries | **(184)** | (17) |
| Exchange differences | **2,902** | 1,808 |
| At October 31 | **113,149** | 86,277 |

The following significant changes in the gross carrying amounts of trade debtors and contract assets contributed to the increase in the loss allowance during 2021:

– origination of new trade debtors net of those settled resulted in an increase in loss allowance of HK$1,707,000;

– increase in days past due over 365 days resulted in increase in loss allowance of HK$6,249,000; and

– a write-off of trade debtors with a gross carrying amount of HK$776,000 resulted in a decrease in loss allowance of HK$776,000.

### Financial assets at FVTOCI and FVTPL and amortised cost

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

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

# 6. Financial Risk Management (Continued)

## Credit risk (Continued)

### Financial assets at FVTOCI and FVTPL and amortised cost (Continued)

Movement in the loss allowance for financial assets at amortised cost during the year is as follows:

| | Other debtors HK$'000 | Loan due from an associate HK$'000 | Amounts due from associates HK$'000 | Amounts due from joint ventures HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At November 1, 2019 | 12,940 | – | 60 | 5,493 | 18,493 |
| Impairment losses recognised for the year | 424 | – | – | – | 424 |
| Amounts written off during the year | – | – | (60) | – | (60) |
| Exchange adjustments | 88 | – | – | (114) | (26) |
| At October 31, 2020 and November 1, 2020 | 13,452 | – | – | 5,379 | 18,831 |
| Impairment losses recognised for the year | **3,181** | **–** | **–** | **–** | **3,181** |
| Amounts written off during the year | **(164)** | **–** | **–** | **–** | **(164)** |
| Exchange adjustments | **188** | **–** | **–** | **33** | **221** |
| **At October 31, 2021** | **16,657** | **–** | **–** | **5,412** | **22,069** |

# 6. Financial Risk Management (Continued)

## Liquidity risk

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

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

| | No fixed term of repayment HK$'000 | Less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|---|
| **At October 31, 2021** | | | | | |
| Borrowings | **18,342** | **326,345** | **288,420** | **108,995** | **548** |
| Creditors and accrued charges | **–** | **1,846,493** | **–** | **–** | **–** |
| Amounts due to associates | **1,892** | **–** | **–** | **–** | **–** |
| Amounts due to joint ventures | **1,022** | **–** | **–** | **–** | **–** |
| Lease liabilities | **–** | **26,263** | **21,716** | **33,494** | **141,974** |
| Contingent consideration | **–** | **33,300** | **–** | **–** | **–** |
| | **21,256** | **2,232,401** | **310,136** | **142,489** | **142,522** |
| At October 31, 2020 | | | | | |
| Borrowings | 18,819 | 261,746 | 316,946 | 81,469 | 829 |
| Creditors and accrued charges | – | 1,516,246 | – | – | – |
| Amounts due to associates | 1,907 | – | – | – | – |
| Amounts due to joint ventures | 1,000 | – | – | – | – |
| Long-term payable | – | – | 3,678 | – | – |
| Lease liabilities | – | 33,684 | 32,569 | 52,202 | 141,302 |
| Contingent consideration | – | – | 78,961 | – | – |
| | 21,726 | 1,811,676 | 432,154 | 133,671 | 142,131 |

# 6. Financial Risk Management (Continued)

## Interest rate risk

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

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

At October 31, 2021, if interest rates at that date had been 20 basis points or 200 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,208,000 (2020: HK$1,105,000) and HK$12,078,000 (2020: HK$11,044,000) higher or lower respectively, arising mainly as a result of lower or higher interest expenses on floating rate borrowings.

At October 31, 2021, if interest rates on cash at banks at that date had been 20 basis points or 200 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$314,000 (2020: HK$435,000) and HK$3,141,000 (2020: HK$4,351,000) lower or higher respectively, arising mainly as a result of lower or higher interest income on interest-bearing cash at banks.

## Categories of financial instruments

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| At October 31 | | |
| Financial assets: | | |
| Derivative financial assets | **10,295** | 8,138 |
| Financial assets at FVTOCI | | |
| Equity instruments | **11,881** | 3,867 |
| Financial assets at FVTPL | | |
| Fund investment | **24,778** | – |
| Financial assets measured at amortised cost | **2,456,268** | 2,161,095 |
| Financial liabilities: | | |
| Financial liabilities measured at amortised cost | **2,725,917** | 2,367,688 |
| Contingent consideration | **33,300** | 78,961 |

## Fair values

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

# 7. Fair Values Measurements

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

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

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

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

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

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

## Disclosures of level in fair value hierarchy

| | Fair value measurements using: | | | |
|---|---|---|---|---|
| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | **Total HK$'000** |
| **At October 31, 2021** | | | | |
| Recurring fair value measurements: | | | | |
| Financial assets | | | | |
| Derivatives | | | | |
| Derivatives financial assets | – | – | 10,295 | 10,295 |
| Financial assets at FVTOCI | | | | |
| Equity securities, at fair value, unlisted | – | – | 11,881 | 11,881 |
| Financial assets at FVTPL | | | | |
| Fund investment, at fair value | – | 24,778 | – | 24,778 |
| | – | 24,778 | 22,176 | 46,954 |
| Investment properties | | | | |
| Hong Kong | – | – | 17,060 | 17,060 |
| The PRC | – | – | 272,045 | 272,045 |
| | – | – | 289,105 | 289,105 |
| **Total** | – | 24,778 | 311,281 | 336,059 |
| Recurring fair value measurements: | | | | |
| Financial liabilities | | | | |
| Contingent consideration | – | – | 33,300 | 33,300 |
| **Total** | – | – | 33,300 | 33,300 |

# 7. Fair Values Measurements (Continued)

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

| | Fair value measurements using: Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At October 31, 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 |
| Investment properties | | | | |
| Hong Kong | – | – | 15,650 | 15,650 |
| The PRC | – | – | 115,891 | 115,891 |
| | – | – | 131,541 | 131,541 |
| Total | – | – | 143,546 | 143,546 |
| Recurring fair value measurements: | | | | |
| Financial liabilities | | | | |
| Contingent consideration | – | – | 78,961 | 78,961 |
| Total | – | – | 78,961 | 78,961 |

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of subsidiaries. Included in profit or loss for the year was a gain of HK$46,125,000 (2020: HK$19,342,000) relating to the change in remeasurement of contingent consideration.

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

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy are set out in Notes 16, 22, 26 and 33 to the consolidated financial statements.

# 7. Fair Values Measurements (Continued)

## Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at October 31, 2021

The Group's investment properties were valued at October 31, 2021 by LCH (Asia-Pacific) Surveyors Limited and derivative financial assets were valued at October 31, 2021 by Fair Value Advisory Sdn Bhd. These companies are independent and registered professional firms of surveyors or valuers not connected with the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations and the option respectively.

For Level 3 fair value measurements, the Group's accounting department has senior staff that review the valuations performed by the independent valuers for financial report purposes. Discussions with the independent valuers on the valuation assumptions and valuation results is held at least once a year and reports directly to the Group's chief financial officer.

At October 31, 2021, the derivative financial assets was estimated by the independent valuer 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 October 31, 2021, financial assets at FVTOCI comprise of investments not traded in an active market, and the fair value was estimated by management using discounted cash flow method and latest transaction price.

At October 31, 2021, the investment properties were revalued based on valuations performed by the independent valuer, using the investment method of the income approach, by taking into account the rental income from the existing tenancy agreement and reversionary property interest. For assessing the reversionary potential of the properties, the valuer based on the prevailing market information within the subject buildings and other comparable properties.

At October 31, 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.

### Level 2 fair value measurements

The fair value of fund investments which were acquired in financial institution in Hong Kong, is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on financial institution specific estimates. It includes quoted market price or dealer quotes for similar instruments. If all significant inputs required for fair value of instrument are observable, the instrument is included in Level 2.

# 7. Fair Values Measurements (Continued)

## Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurement at October 31, 2021 (Continued)

### Level 3 fair value measurements

| Description | Valuation technique | Unobservable inputs | Range | Effect on fair value for increase of input | Fair value 2021 HK$'000 Assets/(Liabilities) | Fair value 2020 HK$'000 Assets/(Liabilities) |
|---|---|---|---|---|---|---|
| Derivative financial assets | Black-Scholes option pricing models – income approach | Discount rate | 12.70% (2020: 13.00%) | Decrease | **10,295** | 8,138 |
| | | Growth rate | 4.00% (2020: 4.00%) | Increase | | |
| Equity securities, at fair value, unlisted | Discounted cash flow | Discount rate | 18.00% (2020: 18.00%) | Decrease | **4,091** | 3,867 |
| | | Discount of lack of marketability | 20.60% (2020: 21.00%) | Decrease | | |
| | | Discount rate for lack of control | 10.98% (2020: 11.00%) | Decrease | | |
| Equity securities, at fair value, unlisted | Latest transaction price | Latest transaction price | Not applicable | Not applicable | **7,790** | – |
| Investment properties located in Hong Kong | Investment method of the income approach | Terms and reversionary yield | 2.40% to 2.90% (2020: 3.00%) | Decrease | **17,060** | 15,650 |
| | | Prevailing market price | from HK$5,111 to HK$5,948 per square foot (2020: HK$4,638 to HK$5,622 per square foot) | Increase | | |
| Investment properties located in the PRC | Investment method of the income approach | Terms and reversionary yield | 1.00% to 9.80% (2020: 1.30% to 6.50%) | Decrease | **272,045** | 115,891 |
| | | Prevailing market price | RMB3,699 to RMB82,144 per square meter (2020: RMB28,872 to RMB71,703 per square meter) | Increase | | |
| Contingent consideration | Income approach | Discount rate | 16.00% (2020: 14.00%) | Decrease | **(33,300)** | (78,961) |
| | | Probability – adjusted EBITDA | US$749,000 (2020: US$347,000 to US$6,665,000; GBP992,000 to GBP1,091,000) | Increase | | |

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

# 8. Revenue and Segment Information

## Disaggregation of revenue

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

| | **2021 HK$'000** | 2020 HK$'000 (restated) |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major products or service lines | | |
| Exhibition, event and brand activation | **3,117,762** | 2,443,521 |
| Visual branding activation (restated) | **404,448** | 324,791 |
| Museum and themed entertainment (restated) | **491,217** | 626,922 |
| Meeting architecture activation | **38,437** | 42,877 |
| | **4,051,864** | 3,438,111 |

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at October 31, 2021 and 2020 and the expected timing of recognising revenue as follows:

| | **Exhibition, event and brand activation HK$'000** | **Visual branding activation HK$'000** | **Museum and themed entertainment HK$'000** | **Meeting architecture activation HK$'000** |
|---|---|---|---|---|
| **At October 31, 2021** | | | | |
| Within one year | **10,137** | **38,645** | **86,437** | **–** |
| More than one year but not more than two years | **–** | **4,537** | **24,149** | **–** |
| More than two years | **–** | **4,258** | **2,214** | **–** |
| | **10,137** | **47,440** | **112,800** | **–** |

# 8. Revenue and Segment Information (Continued)

## Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

| | Exhibition, event and brand activation HK$'000 | Visual branding activation HK$'000 (restated) | Museum and themed entertainment HK$'000 (restated) | Meeting architecture activation HK$'000 |
|---|---|---|---|---|
| At October 31, 2020 | | | | |
| Within one year | 940 | 2,509 | 292,518 | – |
| More than one year but not more than two years | – | – | – | – |
| More than two years | – | – | – | – |
| | 940 | 2,509 | 292,518 | – |

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

## Segment information

The Group is principally engaged in the exhibition, event and brand activation; visual branding activation; museum and themed entertainment (formerly museum, themed environment, interior and retail); meeting architecture activation; and their related business.

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

In the year ended October 31, 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 accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment profits or losses do not include income tax expense, change in remeasurement of contingent consideration, amortisation of other intangible assets arising from business combinations and income and expenses arising from corporate teams. Segment assets do not include certain properties, motor vehicles and financial assets at FVTPL which are used as corporate assets, goodwill and other intangible assets arising from business combinations, current tax assets and deferred tax assets. Segment liabilities do not include contingent consideration, current tax liabilities and deferred tax liabilities.

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

# 8. Revenue and Segment Information (Continued)

## Segment information (Continued)

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

| | Exhibition, event and brand activation HK$'000 | Visual branding activation HK$'000 | Museum and themed entertainment HK$'000 | Meeting architecture activation HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **For the year ended October 31, 2021** | | | | | | |
| Revenue from external customers | 3,117,762 | 404,448 | 491,217 | 38,437 | | 4,051,864 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,921,932 | 347,263 | 110,004 | 38,437 | | 3,417,636 |
| Over time | 195,830 | 57,185 | 381,213 | - | | 634,228 |
| Inter-segment revenue | 248,673 | 36,197 | 23,921 | - | | 308,791 |
| Segment profits | 98,793 | 21,993 | 59,007 | 9,670 | | 189,463 |
| Share of (losses) profits of associates | (10,695) | - | - | 13,279 | - | 2,584 |
| Interest income | 5,337 | 600 | 1,021 | 160 | - | 7,118 |
| Interest expenses | 17,292 | 38 | 751 | 10 | - | 18,091 |
| Unwinding discount expenses | 137 | - | - | - | - | 137 |
| Depreciation and amortisation | 75,034 | 3,221 | 5,408 | 1,783 | 53,966 | 139,412 |
| Other material non-cash items: | | | | | | |
| Impairment on interest in an associate | - | - | - | 8,381 | - | 8,381 |
| Allowance for bad and doubtful debts | 19,881 | 6,338 | 20,193 | - | - | 46,412 |
| Additions to segment non-current assets | 63,882 | 707 | 387 | 560 | 438 | 65,974 |
| **At October 31, 2021** | | | | | | |
| Segment assets | 3,327,071 | 397,551 | 406,280 | 230,413 | | 4,361,315 |
| Segment liabilities | 2,353,547 | 221,491 | 241,268 | 114,729 | | 2,931,035 |
| Interests in associates | 90,760 | - | - | 14,788 | - | 105,548 |

# 8. Revenue and Segment Information (Continued)

## Segment information (Continued)

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

| | Exhibition, event and brand activation HK$'000 | Visual branding activation HK$'000 (restated) | Museum and themed entertainment HK$'000 (restated) | Meeting architecture activation HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| For the year ended October 31, 2020 | | | | | | |
| Revenue from external customers | 2,443,521 | 324,791 | 626,922 | 42,877 | | 3,438,111 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,131,568 | 260,705 | 191,131 | 42,877 | | 2,626,281 |
| Over time | 311,953 | 64,086 | 435,791 | – | | 811,830 |
| Inter-segment revenue | 207,454 | 76,175 | 42,853 | – | | 326,482 |
| Segment profits (losses) | 60,099 | (5,095) | 90,090 | (8,235) | | 136,859 |
| Share of (losses) profits of associates | (13,715) | – | – | 2,726 | – | (10,989) |
| Interest income | 5,408 | 846 | 252 | 175 | – | 6,681 |
| Interest income from financial assets at FVTPL | 175 | – | – | – | – | 175 |
| Interest expenses | 23,354 | 38 | 1,022 | 12 | – | 24,426 |
| Unwinding discount expenses | 128 | – | – | – | – | 128 |
| Depreciation and amortisation | 54,286 | 3,261 | 6,288 | 2,355 | 55,367 | 121,557 |
| Other material non-cash items: | | | | | | |
| Impairment of goodwill | 19,469 | – | – | – | – | 19,469 |
| Impairment on interest in an associate | – | – | – | 8,580 | – | 8,580 |
| Allowance for bad and doubtful debts | 21,441 | 13,078 | 5,094 | 112 | – | 39,725 |
| Additions to segment non-current assets | 57,396 | 6,432 | 22,878 | 10,708 | – | 97,414 |
| At October 31, 2020 | | | | | | |
| Segment assets | 2,835,918 | 498,506 | 425,644 | 206,832 | | 3,966,900 |
| Segment liabilities | 1,835,102 | 258,483 | 313,807 | 96,837 | | 2,504,229 |
| Interests in associates | 104,256 | – | – | 12,344 | – | 116,600 |

# 8. Revenue and Segment Information (Continued)

## Segment information (Continued)

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue of reportable segments | **4,360,655** | 3,764,593 |
| Elimination of inter-segment revenue | **(308,791)** | (326,482) |
| Consolidated revenue | **4,051,864** | 3,438,111 |
| **Profit or loss** | | |
| Total profits of reportable segments | **189,463** | 136,859 |
| Unallocated amounts: | | |
| Change in remeasurement of contingent consideration | **46,125** | 19,342 |
| Amortisation of other intangible assets arising from business combinations | **(39,628)** | (39,632) |
| Corporate expenses | **(39,430)** | (57,265) |
| Consolidated profit before tax | **156,530** | 59,304 |

# 8. Revenue and Segment Information (Continued)

## Segment information (Continued)

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Assets** | | |
| Total assets of reportable segments | 4,361,315 | 3,966,900 |
| Unallocated amounts: | | |
| Corporate motor vehicles | 2,309 | 3,287 |
| Properties | 481,494 | 239,334 |
| Goodwill and other intangible assets arising from business combinations | 506,740 | 545,980 |
| Financial assets at FVTPL | 24,778 | – |
| Current tax assets | 5,027 | 6,093 |
| Deferred tax assets | 4,178 | 3,346 |
| Consolidated total assets | 5,385,841 | 4,764,940 |
| **Liabilities** | | |
| Total liabilities of reportable segments | 2,931,035 | 2,504,229 |
| Unallocated amounts: | | |
| Contingent consideration | 33,300 | 78,961 |
| Current tax liabilities | 20,560 | 21,210 |
| Deferred tax liabilities | 81,478 | 63,027 |
| Consolidated total liabilities | 3,066,373 | 2,667,427 |

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

## Geographical information

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2021 HK$'000 | 2020 HK$'000 | 2021 HK$'000 | 2020 HK$'000 |
| Greater China | 2,171,941 | 1,602,370 | 708,331 | 619,655 |
| Malaysia, Singapore, the Philippines and Vietnam | 518,915 | 725,121 | 366,951 | 365,377 |
| Bahrain, Oman, Qatar, Saudi Arabia and United Arab Emirates | 864,341 | 535,541 | 46,841 | 49,880 |
| The United Kingdom and the United States | 380,773 | 465,672 | 530,503 | 606,972 |
| Others | 115,894 | 109,407 | 7,520 | 4,886 |
| Consolidated total | 4,051,864 | 3,438,111 | 1,660,146 | 1,646,770 |

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

# 9. Other Income

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Included in other income are: | | |
| Dividend income from financial assets at FVTOCI | **6** | 10 |
| Gain on disposal of property, plant and equipment | **1,886** | 919 |
| Interest income | **7,118** | 6,681 |
| Rental income | **32,470** | 33,223 |
| Interest income from financial assets at FVTPL | **–** | 175 |
| Government grants | **71,927** | 77,134 |
| Increase in fair value of derivative financial assets | **1,663** | 1,636 |
| COVID-19 Related rent concessions | **4,902** | – |
| Allowance written back on bad and doubtful debts | **17,669** | 21,309 |
| Bad debts written off recovery | **48** | 202 |
| Gain on lease modification | **469** | – |

The gross rental income from investment properties for the year amounted to HK$4,339,000 (2020: HK$5,181,000).

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 year, the Group received rent concessions in the form of a waiver and a discount on fixed payments during COVID-19 pandemic.

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

# 10. Finance Costs

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Interest on bank borrowings | **10,991** | 16,143 |
| Interest expenses on lease liabilities | **7,100** | 8,283 |
| Unwinding discount expenses | **137** | 128 |
| | **18,228** | 24,554 |

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

## Benefit and interests of directors

### Directors' emoluments

Pursuant to the Listing Rules and the Hong Kong Companies Ordinance, the emoluments of each Director for the year ended October 31, 2021 and 2020 are as follows:

| | Emoluments paid to or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking | | | | | | |
|---|---|---|---|---|---|---|---|
| Name | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Bonuses HK$'000 | Share-based payments HK$'000 | The Group's contributions to retirement scheme HK$'000 | Estimated rental value for rent-free accommodation provided to Directors HK$'000 | Total emoluments HK$'000 |
| **October 31, 2021** | | | | | | | |
| **Executive Directors** | | | | | | | |
| Lawrence Chia Song Huat | **441** | **4,648** | **6,498** | **395** | **18** | **1,000** | **13,000** |
| Jean Chia Yuan Jiun | **207** | **2,346** | **3,853** | **158** | **100** | **–** | **6,664** |
| Mok Pui Keung | **207** | **1,483** | **850** | **91** | **98** | **–** | **2,729** |
| **Independent Non-Executive Directors** | | | | | | | |
| Gregory Robert Scott Crichton | **213** | **–** | **–** | **–** | **–** | **–** | **213** |
| James Patrick Cunningham | **213** | **–** | **–** | **–** | **–** | **–** | **213** |
| Frank Lee Kee Wai | **213** | **–** | **–** | **–** | **–** | **–** | **213** |
| Charlie Yucheng Shi | **243** | **–** | **–** | **–** | **–** | **–** | **243** |
| **Total 2021** | **1,737** | **8,477** | **11,201** | **644** | **216** | **1,000** | **23,275** |
| October 31, 2020 | | | | | | | |
| **Executive Directors** | | | | | | | |
| Lawrence Chia Song Huat | 441 | 5,451 | – | – | 18 | 1,038 | 6,948 |
| Jean Chia Yuan Jiun | 207 | 1,903 | 1,517 | – | 97 | – | 3,724 |
| Mok Pui Keung | 207 | 1,167 | 109 | 26 | 77 | – | 1,586 |
| **Independent Non-Executive Directors** | | | | | | | |
| Gregory Robert Scott Crichton | 213 | – | – | – | – | – | 213 |
| James Patrick Cunningham | 213 | – | – | – | – | – | 213 |
| Frank Lee Kee Wai | 213 | – | – | – | – | – | 213 |
| Charlie Yucheng Shi | 243 | – | – | – | – | – | 243 |
| Total 2020 | 1,737 | 8,521 | 1,626 | 26 | 192 | 1,038 | 13,140 |

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil). None of the Directors have waived any emoluments during the year (2020: nil).

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

## Benefit and interests of directors (Continued)

### Directors' emoluments (Continued)

The above emoluments include the value of share options granted to certain Directors under the Company's share option scheme as estimated at the date of grant. Further details are disclosed under the section "Share options" in the Directors' Report and in Note 35 to the consolidated financial statements.

*Notes:*

(a) During the year ended October 31, 2021, no emoluments have been paid by the Group to any of the above Directors in respect of accepting office as a director (2020: nil).

(b) There were nil (2020: nil) emoluments paid to or receivable by Directors or past Directors for the loss of office in connection with the management of the affairs of the Company or its subsidiary undertaking.

Neither the chief executive nor any of the Directors waived any emoluments during the year (2020: nil).

### Directors' retirement benefits

None of the Directors received or will receive any retirement benefits from defined benefit plan for the year ended October 31, 2021 (2020: nil).

### Directors' termination benefits

None of the Directors received or will receive any termination benefits from defined benefit plan for the year ended October 31, 2021 (2020: nil).

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

During the year ended October 31, 2021, the Company did not pay consideration to any third parties for making available Directors' services (2020: nil).

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

At October 31, 2021, there is no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate and connected entities with such Directors (2020: nil).

### Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company and the Director's connect party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended October 31, 2021 (2020: nil).

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

## Employees' benefit expenses

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **770,024** | 771,870 |
| Share-based payments | **208** | 232 |
| Group's contributions to retirement scheme, net of forfeited contribution of HK$108,000 (2020: HK$108,000) | **72,335** | 59,932 |
| | **842,567** | 832,034 |

Of the five individuals with the highest emoluments in the Group, two (2020: two) were Directors of the Company whose emoluments are included in the preceding disclosures on directors' emoluments. The emoluments of the remaining three (2020: three) individuals are as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **13,202** | 14,224 |
| Bonuses | **9,704** | 1,544 |
| Share-based payments | **46** | 16 |
| Group's contributions to retirement scheme | **129** | 135 |
| | **23,081** | 15,919 |

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

## Employees' benefit expenses (Continued)

The emoluments fell within the following bands:

| | Number of employees | |
|---|---|---|
| | **2021** | 2020 |
| HK$3,000,001 – HK$3,500,000 | **–** | 1 |
| HK$3,500,001 – HK$4,000,000 | **–** | – |
| HK$4,000,001 – HK$4,500,000 | **–** | – |
| HK$4,500,001 – HK$5,000,000 | **–** | – |
| HK$5,000,001 – HK$5,500,000 | **–** | – |
| HK$5,500,001 – HK$6,000,000 | **1** | – |
| HK$6,000,001 – HK$6,500,000 | **1** | 1 |
| HK$6,500,001 – HK$7,000,000 | **–** | 1 |
| HK$7,000,001 – HK$7,500,000 | **–** | – |
| HK$7,500,001 – HK$8,000,000 | **–** | – |
| HK$8,000,001 – HK$8,500,000 | **–** | – |
| HK$8,500,001 – HK$9,000,000 | **–** | – |
| HK$9,000,001 – HK$9,500,000 | **–** | – |
| HK$9,500,001 – HK$10,000,000 | **–** | – |
| HK$10,000,001 – HK$10,500,000 | **–** | – |
| HK$10,500,001 – HK$11,000,000 | **1** | – |
| | **3** | 3 |

During the year ended October 31, 2021, no emoluments were paid by the Group to any highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil).

# 12. Income Tax Expense

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| The charge comprises: | | |
| Current tax | | |
| Profits tax for the year | | |
| Hong Kong | **54** | 82 |
| Overseas | **26,466** | 13,876 |
| (Over) under provision in prior years | | |
| Hong Kong | **(66)** | 297 |
| Overseas | **(2,674)** | (7,361) |
| | **23,780** | 6,894 |
| Deferred tax *(Note 38)* | **1,729** | (3,539) |
| | **25,509** | 3,355 |

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the year. 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, the first HK$2 million of profits of the qualifying group entities established in Hong Kong has been taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a rate of 16.5%.

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

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Profit before tax (excluding share of results of associates and joint ventures) | **153,946** | 70,293 |
| Tax at the domestic income tax rate of 16.5% (2020: 16.5%) | **25,401** | 11,598 |
| Effect of different taxation rates in other countries | **(4,808)** | (759) |
| Tax effect of income that is not taxable | **(13,248)** | (14,842) |
| Tax effect of expenses that are not deductible | **5,693** | 3,319 |
| Tax effect of utilisation of previously unrecognised tax losses | **(2,305)** | (1,785) |
| Tax effect of tax losses not recognised | **13,366** | 14,806 |
| Deferred taxation on withholding tax arising on undistributed earnings of subsidiaries | **92** | 50 |
| Over provision in prior years | **(2,740)** | (7,064) |
| Others | **4,058** | (1,968) |
| Income tax expense | **25,509** | 3,355 |

# 13. Profit for the Year

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Auditors' remuneration | **4,427** | 4,778 |
| Depreciation of: | | |
| Property, plant and equipment | **45,524** | 48,786 |
| Right-of-use assets | **27,348** | 31,248 |
| Loss on disposal of property, plant and equipment | **2,065** | 477 |
| Other intangible assets written off | **–** | 110 |
| Loss on dissolution of associates | **–** | 579 |
| Direct operating expenses of investment properties that generate rental income | **1,214** | 1,340 |
| Cost of inventories sold | **239,840** | 141,160 |
| Bad debts written off | **632** | 3,944 |
| Allowance for bad and doubtful debts | **45,780** | 35,781 |
| Allowance for inventories | **–** | 262 |
| Amortisation of: | | |
| Club membership (included in administrative expenses) | **8** | 7 |
| Show rights and software (included in administrative expenses) | **26,904** | 1,884 |
| Intangible assets arising from business combinations | **39,628** | 39,632 |
| Net exchange loss | **3,659** | 9,823 |
| Impairment of goodwill (included in other operating expenses) | **–** | 19,469 |
| Impairment on interest in an associate (included in administrative expenses) | **8,381** | 8,580 |
| Decrease in fair value of investment properties, net (included in other operating expenses) | **–** | 7,242 |
| Decrease in fair value of financial assets at FVTPL | **2,881** | – |
| Loss on lease modification | **365** | – |
| and crediting: | | |
| Decrease in remeasurement of contingent consideration | **46,125** | 19,342 |
| Gain on dissolution of subsidiaries, net | **3,314** | 173 |
| Increase in fair value of investment properties, net | **10,395** | – |

## 14. Dividends Paid

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| 2020 final dividend paid HK2.5 cents per share (2020: 2019 final dividend paid HK9.0 cents per share) | **30,954** | 111,421 |
| 2021 interim dividend paid nil per share (2020: 2020 interim dividend paid nil per share) | **–** | – |
| Total | **30,954** | 111,421 |

A final dividend of HK5.0 cents per share for the year ended October 31, 2021 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming AGM.

## 15. Earnings per Share

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Earnings for the purposes of calculating basic and diluted earnings per share | **136,909** | 50,536 |

| | **2021** | 2020 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,238,137,600** | 1,238,010,104 |
| Effect of dilutive potential ordinary shares in respect of options | **487,753** | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,238,625,353** | 1,238,010,104 |

# 16. Investment Properties

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **VALUATION** | | |
| At November 1 | **131,541** | 142,590 |
| Transfer from (to) property, plant and equipment *(Note 17)* | **64,412** | (6,994) |
| Transfer from right-of-use assets *(Note 18)* | **4,460** | – |
| Exchange adjustments | **5,676** | 3,187 |
| Fair value gain on transfer of property, plant and equipment to investment properties | **72,621** | – |
| Increase (decrease) in fair value, net | **10,395** | (7,242) |
| At October 31 | **289,105** | 131,541 |

The investment properties, situated in Hong Kong and the PRC, were valued by LCH (Asia-Pacific) Surveyors Limited, an independent and registered professional firm of surveyors, at October 31, 2021, using the investment method of the income approach, by taking into account the rental income from the existing tenancy agreements and reversionary property interest. For assessing the reversionary potential of the properties, the valuer based on the prevailing market information within the subject buildings and other comparable properties.

Particulars of the Group's principal investment properties at October 31, 2021 are set out in the section "Summary of Principal Investment Properties" on pages 166 to 167.

# 17. Property, Plant and Equipment

| | Land and buildings situated in Hong Kong HK$'000 | Land and buildings situated outside Hong Kong HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Tools, machinery, factory equipment and fittings HK$'000 | Motor vehicles HK$'000 | Operating supplies HK$'000 | Property under development HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | |
| At November 1, 2019 | 80,783 | 718,861 | 81,165 | 165,556 | 76,477 | 26,824 | 38,108 | 8,060 | 1,195,834 |
| Exchange adjustments | – | 11,150 | 544 | 1,629 | 836 | 77 | (89) | (566) | 13,581 |
| Transfer from investment properties | – | 6,994 | – | – | – | – | – | – | 6,994 |
| Additions | – | 10,505 | 5,175 | 8,010 | 3,422 | – | 384 | 3,017 | 30,513 |
| Transfer | – | 10,345 | – | – | – | – | – | (10,345) | – |
| Disposal | – | – | (1,714) | (7,428) | (1,496) | (1,682) | (4,718) | – | (17,038) |
| Dissolution of subsidiaries | – | – | – | (5,762) | – | (367) | – | – | (6,129) |
| At October 31, 2020 and November 1, 2020 | 80,783 | 757,855 | 85,170 | 162,005 | 79,239 | 24,852 | 33,685 | 166 | 1,223,755 |
| Exchange adjustments | **-** | **21,378** | **1,682** | **2,471** | **2,231** | **314** | **26** | **6** | **28,108** |
| Transfer to investment properties *(Note 16)* | **-** | **(82,542)** | **-** | **-** | **-** | **-** | **-** | **-** | **(82,542)** |
| Additions | **-** | **10** | **2,307** | **4,321** | **168** | **439** | **-** | **153** | **7,398** |
| Transfer | **-** | **-** | **-** | **325** | **-** | **-** | **-** | **(325)** | **-** |
| Disposal | **-** | **(4,552)** | **(7,767)** | **(4,946)** | **(1,168)** | **(5,066)** | **-** | **-** | **(23,499)** |
| Dissolution of subsidiaries *(Note 40)* | **-** | **-** | **(257)** | **(53)** | **-** | **-** | **-** | **-** | **(310)** |
| **At October 31, 2021** | **80,783** | **692,149** | **81,135** | **164,123** | **80,470** | **20,539** | **33,711** | **-** | **1,152,910** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | | | | |
| At November 1, 2019 | (25,999) | (161,781) | (56,723) | (134,162) | (60,748) | (21,682) | (32,222) | – | (493,317) |
| Exchange adjustments | – | (987) | (802) | (1,559) | (627) | (98) | 74 | – | (3,999) |
| Provided for the year | (1,214) | (22,080) | (8,809) | (10,294) | (2,843) | (1,834) | (1,712) | – | (48,786) |
| Elimination on disposal | – | – | 1,715 | 6,825 | 1,226 | 1,682 | 4,036 | – | 15,484 |
| Dissolution of subsidiaries | – | – | – | 2,557 | – | 367 | – | – | 2,924 |
| At October 31, 2020 and November 1, 2020 | (27,213) | (184,848) | (64,619) | (136,633) | (62,992) | (21,565) | (29,824) | – | (527,694) |
| Exchange adjustments | **-** | **(4,192)** | **(1,451)** | **(2,277)** | **(1,614)** | **(260)** | **(23)** | **-** | **(9,817)** |
| Transfer to investment properties *(Note 16)* | **-** | **18,130** | **-** | **-** | **-** | **-** | **-** | **-** | **18,130** |
| Provided for the year | **(1,214)** | **(21,817)** | **(7,506)** | **(8,687)** | **(3,586)** | **(1,454)** | **(1,260)** | **-** | **(45,524)** |
| Elimination on disposal | **-** | **4,552** | **4,654** | **3,879** | **1,148** | **5,049** | **-** | **-** | **19,282** |
| Dissolution of subsidiaries *(Note 40)* | **-** | **-** | **257** | **53** | **-** | **-** | **-** | **-** | **310** |
| **At October 31, 2021** | **(28,427)** | **(188,175)** | **(68,665)** | **(143,665)** | **(67,044)** | **(18,230)** | **(31,107)** | **-** | **(545,313)** |
| **CARRYING AMOUNT** | | | | | | | | | |
| **At October 31, 2021** | **52,356** | **503,974** | **12,470** | **20,458** | **13,426** | **2,309** | **2,604** | **-** | **607,597** |
| At October 31, 2020 | 53,570 | 573,007 | 20,551 | 25,372 | 16,247 | 3,287 | 3,861 | 166 | 696,061 |

# 17. Property, Plant and Equipment (Continued)

At October 31, 2021, certain land and buildings situated outside Hong Kong with carrying amount of HK$176,902,000 (2020: HK$174,831,000) were pledged for credit facilities granted to the Group *(Note 41)*.

For land situated in Hong Kong with carrying amount of HK$9,886,000 (2020: HK$10,069,000) as at October 31, 2021 was leased from Hong Kong Science and Technology Parks Corporation for a term up to June 27, 2047.

# 18. Right-of-Use Assets

| | **Leasehold lands** HK$'000 | **Leased lands** HK$'000 | **Leased properties** HK$'000 | **Leased equipment** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| At November 1, 2019 | 80,996 | 99,238 | 37,013 | 1,345 | 218,592 |
| Additions | – | 10,998 | 53,066 | 2,837 | 66,901 |
| Depreciation | (2,362) | (7,186) | (20,826) | (874) | (31,248) |
| Variable lease payment adjustment | – | 4,218 | – | – | 4,218 |
| Exchange adjustments | 2,965 | (948) | (158) | (122) | 1,737 |
| At October 31, 2020 and November 1, 2020 | 81,599 | 106,320 | 69,095 | 3,186 | 260,200 |
| Additions | **–** | **–** | **12,063** | **162** | **12,225** |
| Depreciation | **(2,481)** | **(7,435)** | **(16,504)** | **(928)** | **(27,348)** |
| Variable lease payment adjustment | **–** | **4,423** | **–** | **–** | **4,423** |
| Lease modification | **–** | **–** | **(26,838)** | **(48)** | **(26,886)** |
| Transfer to investment properties *(Note 16)* | **(4,460)** | **–** | **–** | **–** | **(4,460)** |
| Exchange adjustments | **4,022** | **1,071** | **604** | **(12)** | **5,685** |
| **At October 31, 2021** | **78,680** | **104,379** | **38,420** | **2,360** | **223,839** |

Lease liabilities of HK$147,448,000 (2020: HK$179,253,000) are recognised with related right-of-use assets of HK$145,159,000 (2020: HK$178,601,000) as at October 31, 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Depreciation on right-of-use assets (included in administrative expenses) | **27,348** | 31,248 |
| Interest expense on lease liabilities (included in finance costs) | **7,100** | 8,283 |
| Expenses relating to short-term leases (included in administrative expenses) | **9,120** | 11,188 |
| Expenses relating to leases of low value assets (included in administrative expenses) | **1,443** | 1,650 |
| COVID-19 Related rent concessions received (included in other income) | **4,902** | – |

# 18. Right-of-Use Assets (Continued)

Details of total cash outflow for leases is set out in Note 40 to the consolidated financial statements.

As disclosed in Note 3 to the consolidated financial statements, the Group has adopted the amendment to HKFRS 16 COVID-19 Related rent concessions, and applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed below.

For both years, the Group leases various offices, factory, exhibition hall, warehouse, lands and office equipment for its operations. Lease contracts are entered into for fixed term of two years to sixty years (2020: thirteen months to sixty years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

| | **Lease liabilities recognised (discounted)** | | **Potential future lease payments under extension options not included in lease liabilities (undiscounted)** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Office | **1,881** | – | **–** | 42,246 |
| Factory | **–** | 799 | **–** | – |
| Office equipment | **–** | – | **573** | 606 |
| Exhibition hall | **2,225** | 2,000 | **–** | – |
| Others | **–** | 136 | **184** | 199 |

# 18. Right-of-Use Assets (Continued)

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended October 31, 2021, there has been no such triggering event.

The Group leased lands for the operation of an exhibition hall which contains minimum monthly lease payment terms that are fixed. During the year, the Group received rent concessions in the form of a waiver on fixed payments during COVID-19 pandemic. In addition, the Group leased office for its operations. During the year, the Group received rent concessions in the form of a discount on fixed payments during COVID-19 pandemic. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

| | Fixed payments HK$'000 | Variable payments HK$'000 | COVID-19 Related rent concessions HK$'000 | Total payments HK$'000 |
|---|---|---|---|---|
| **For the year ended October 31, 2021** | | | | |
| Exhibition hall - Overseas | **4,853** | **–** | **(4,853)** | **–** |
| Office - Overseas | **277** | **–** | **(49)** | **228** |

# 19. Intangible Assets

| | | Other intangible assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Goodwill HK$'000 | Software HK$'000 | Club memberships HK$'000 | Trade name HK$'000 | Show rights HK$'000 | Marketing related intangible assets HK$'000 | Customer relationship HK$'000 | Non-competition agreements HK$'000 | Total HK$'000 |
| **COST** | | | | | | | | | |
| At November 1, 2019 | 367,960 | 3,882 | 5,000 | 22,727 | 25,133 | 57,531 | 232,561 | 3,205 | 717,999 |
| Exchange adjustments | 201 | 108 | (22) | (252) | 258 | (639) | (2,581) | (36) | (2,963) |
| Written off | – | (131) | – | – | – | – | – | – | (131) |
| Dissolution of subsidiaries | – | (320) | – | – | – | – | – | – | (320) |
| At October 31, 2020 and November 1, 2020 | 368,161 | 3,539 | 4,978 | 22,475 | 25,391 | 56,892 | 229,980 | 3,169 | 714,585 |
| Exchange adjustments | **(241)** | **(68)** | **24** | **67** | **192** | **170** | **687** | **9** | **840** |
| Additions | **–** | **46,351** | **–** | **–** | **–** | **–** | **–** | **–** | **46,351** |
| **At October 31, 2021** | **367,920** | **49,822** | **5,002** | **22,542** | **25,583** | **57,062** | **230,667** | **3,178** | **761,776** |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS** | | | | | | | | | |
| At November 1, 2019 | (27,595) | (54) | (1,180) | – | (17,575) | (18,176) | (29,545) | (941) | (95,066) |
| Exchange adjustments | 40 | 15 | 10 | – | (285) | 225 | 384 | 12 | 401 |
| Amortisation | – | (361) | (7) | – | (1,523) | (11,402) | (27,600) | (630) | (41,523) |
| Impairment loss | (19,469) | – | – | – | – | – | – | – | (19,469) |
| Written off | – | 21 | – | – | – | – | – | – | 21 |
| Dissolution of subsidiaries | – | 19 | – | – | – | – | – | – | 19 |
| At October 31, 2020 and November 1, 2020 | (47,024) | (360) | (1,177) | – | (19,383) | (29,353) | (56,761) | (1,559) | (155,617) |
| Exchange adjustments | **–** | **129** | **(10)** | **–** | **171** | **(100)** | **(199)** | **(5)** | **(14)** |
| Amortisation | **–** | **(26,124)** | **(8)** | **–** | **(780)** | **(11,401)** | **(27,597)** | **(630)** | **(66,540)** |
| **At October 31, 2021** | **(47,024)** | **(26,355)** | **(1,195)** | **–** | **(19,992)** | **(40,854)** | **(84,557)** | **(2,194)** | **(222,171)** |
| **CARRYING AMOUNT** | | | | | | | | | |
| **At October 31, 2021** | **320,896** | **23,467** | **3,807** | **22,542** | **5,591** | **16,208** | **146,110** | **984** | **539,605** |
| At October 31, 2020 | 321,137 | 3,179 | 3,801 | 22,475 | 6,008 | 27,539 | 173,219 | 1,610 | 558,968 |

# 19. Intangible Assets (Continued)

The remaining amortisation period of the software is eight months to seven years.

The remaining amortisation period of the show rights is seven years.

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

Trade name and club memberships have indefinite useful life, except a club membership with expiry date with remaining amortisation period of thirteen years.

The trade name value of HK$22,542,000 (2020: HK$22,475,000) arising from the acquisition of a subsidiary is regarded as having an indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group, given that the acquired company has used the trade name since its inception and has consistently incurred advertising and marketing expenses in promoting the name through various forms of media; the trade name has substantial name recognition among its customers; and the intellectual property rights therein are secured and can be maintained with relatively little cost and effort.

Goodwill and other intangible assets acquired in a business combination are allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The trade name is used in the Group's exhibition, event and brand activation segment.

The carrying amount of goodwill has been allocated as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Exhibition, event and brand activation | **218,632** | 218,632 |
| Meeting architecture activation | **5,379** | 5,620 |
| Museum and themed entertainment | **96,885** | 96,885 |
| | **320,896** | 321,137 |

# 19. Intangible Assets (Continued)

## Impairment test for cash-generating units

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

| | Discount rate | | Terminal value growth rate | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **%** | % | **%** | % |
| Exhibition, event and brand activation | **16.00 – 17.00** | 14.00 – 16.00 | **2.00 – 3.00** | 2.00 |
| Meeting architecture activation | **20.00** | 20.00 | **0.00** | 0.00 |
| Museum and themed entertainment | **16.00** | 14.00 | **3.00** | 2.00 |

*Note:*

The Group carried out reviews of the recoverable amounts of its other intangible assets and goodwill allocated to the Group's various CGUs, having regard to the market conditions and expectations on market development. In addition to goodwill and other intangible assets, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill and other intangible assets are also included in the respective CGUs for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use using discounted cash flow method from financial budgets approved by management covering a 5-year period. Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

At October 31, 2020, before impairment testing, goodwill of HK$61,904,000 was allocated to Not Ordinary Media, LLC ("NOM") within the exhibition, event and brand activation segment. During the year ended October 31, 2020, the performance of NOM did not meet expectations due to the pandemic of COVID-19 in the US, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable amount of HK$42,475,000 and an impairment loss of HK$19,469,000 was recognised on goodwill.

# 20. Interests in Joint Ventures

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Unlisted investments | | |
| Share of net assets | – | – |
| Less: Impairment loss recognised | – | – |
| | – | – |

Particulars of the Group's principal joint venture at October 31, 2021 are set out in Note 49 to the consolidated financial statements.

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At October 31 | | |
| Carrying amount of interests | – | – |
| Year ended October 31 | | |
| Profit for the year | – | – |
| Other comprehensive income | – | – |
| Total comprehensive income | – | – |

The Group has unrecognised profits of HK$360,000 (2020: HK$175,000) for the year ended October 31, 2021. At October 31, 2021, the accumulated losses not recognised were HK$2,418,000 (2020: HK$2,692,000).

# 21. Interests in Associates

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Unlisted/Listed investments | | |
| Share of net assets | **136,050** | 138,317 |
| Less: Impairment loss recognised | **(30,502)** | (21,717) |
| | **105,548** | 116,600 |
| Fair value of listed investment in an associate outside Hong Kong based on quoted market price (Level 1 fair value measurement) | **78,981** | 86,024 |

Particulars of the Group's principal associates at October 31, 2021 are set out in Note 48 to the consolidated financial statements.

# 21. Interests in Associates (Continued)

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

| Name<br>Principal place of business | Xi'an Greenland Pico Int'l Convention and Exhibition Co. Ltd. ("Xi'an Greenland")<br>The PRC | | Pico (Thailand) Public Company Limited<br>Thailand | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Percentage of ownership interests/ voting rights held by the Group | **30%/ 30%** | 30%/ 30% | **42.4%/ 42.4%** | 42.4%/ 42.4% |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At October 31 | | | | |
| Non-current assets | **142,581** | 143,810 | **48,539** | 49,726 |
| Current assets | **4,413** | 37,591 | **104,138** | 112,042 |
| Non-current liabilities | **-** | – | **(18,646)** | (17,407) |
| Current liabilities | **(70,279)** | (97,555) | **(55,507)** | (53,948) |
| Net assets | **76,715** | 83,846 | **78,524** | 90,413 |
| Group's share of carrying amount of interests | **36,541** | 42,711 | **33,197** | 38,192 |
| Year ended October 31 | | | | |
| Revenue | **1,400** | 886 | **157,043** | 181,365 |
| Loss for the year | **(4,756)** | (3,588) | **(2,963)** | (6,809) |
| Other comprehensive income (expense) | **4,240** | 3,239 | **(309)** | (5,755) |
| Total comprehensive expense | **(516)** | (349) | **(3,272)** | (12,564) |
| Dividend received from associates | **–** | – | **–** | 5,758 |

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

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| At October 31 | | |
| Carrying amount of interests | **35,810** | 35,697 |
| Year ended October 31 | | |
| Profit (loss) for the year | **10,303** | (592) |
| Other comprehensive income (expense) | **619** | (1,081) |
| Total comprehensive income (expense) | **10,922** | (1,673) |

## 21. Interests in Associates (Continued)

The Group does not have unrecognised loss for the year ended October 31, 2021 (2020: nil). At October 31, 2021, the accumulated losses not recognised were HK$1,598,000 (2020: HK$1,519,000).

At October 31, 2021, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK$960,000 (2020: HK$31,811,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 22. Financial Assets at FVTOCI

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Equity securities, at fair value, unlisted | **11,881** | 3,867 |
| Analysed as: | | |
| Non-current assets | **11,881** | 3,867 |

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| At November 1 | **3,867** | 3,842 |
| Exchange adjustments | **(38)** | (3) |
| Total gains recognised in other comprehensive income | **224** | 28 |
| Additions | **7,828** | – |
| At October 31 | **11,881** | 3,867 |

Financial assets at FVTOCI are denominated in the following currencies:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| RMB | **4,091** | 3,867 |
| SG dollars | **7,790** | – |
| | **11,881** | 3,867 |

## 23. Inventories

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Raw materials | **1,992** | 2,097 |
| Work in progress | **8,253** | 6,605 |
| Finished goods | **14,148** | 14,386 |
| | **24,393** | 23,088 |

## 24. Contract Related Assets and Contract Liabilities

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Contract assets** | | |
| Arising from performance under construction contracts | **726,842** | 470,414 |
| Arising from fulfilling short-term contracts | **231,764** | 229,331 |
| Less: Allowance for impairment loss | **(5,807)** | (1,878) |
| | **952,799** | 697,867 |
| Debtors from contracts with customers within the scope of HKFRS 15, which are included in "Debtors, deposits and prepayments" | **50,863** | 72,357 |

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

Contract assets increased by HK$254,932,000 from prior year. The increase in 2021 was mainly due to increase in balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones for new projects and mega projects.

The amount of contract assets that is expected to be recovered after more than one year is HK$4,712,000 (2020: HK$3,827,000).

Amounts relating to the capitalised contract costs are the costs incurred that relate directly to existing contracts. No amortisation (2020: HK$71,038,000) was recognised in the profit or loss during the reporting period.

# 24. Contract Related Assets and Contract Liabilities (Continued)

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Contract liabilities** | | |
| Billings in advance of performance obligation | | |
| Arising from performance under construction contracts | **205,118** | 136,541 |
| | **205,118** | 136,541 |

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

Contract liabilities increased by HK$68,577,000 from prior year. The increase in 2021 was mainly due to increase in billings in advance of performance obligation arising from performance under construction contracts for new projects.

Movements in contract liabilities

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At November 1 | **136,541** | 86,656 |
| Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year | **(76,409)** | (53,857) |
| Increase in contract liabilities as a result of billing in advance of construction activities | **142,367** | 103,003 |
| Other movements | **(34)** | (202) |
| Exchange adjustments | **2,653** | 941 |
| At October 31 | **205,118** | 136,541 |

The amount of billings in advance of performance received that is expected to be recognised as income after more than one year is HK$10,122,000 (2020: HK$9,536,000).

# 25. Financial Assets at FVTPL

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Fund investment, at fair value | **24,778** | – |
| Analysed as: | | |
| Current assets | **24,778** | – |

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| At November 1 | **–** | – |
| Exchange adjustments | **72** | – |
| Total loss recognised in profit or loss | **(2,881)** | – |
| Additions | **27,587** | – |
| At October 31 | **24,778** | – |

Financial assets at FVTPL are denominated in the following currencies:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| US dollars | **24,778** | – |

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

The investments included above represent investments in funds that hold bond investments that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of financial assets at FVTPL were based on the quoted price provided by the financial institution.

# 26. Derivative Financial Assets and Liabilities

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Option for acquisition of equity interests *(Note a)* | **10,295** | 8,138 |
| Analysed as: | | |
| Current assets | **10,295** | 8,138 |

The following table provides a reconciliation of derivative financial assets:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| At November 1 | **8,138** | 6,496 |
| Exchange adjustments | **494** | 6 |
| Change in fair value of derivative financial assets | **1,663** | 1,636 |
| At October 31 | **10,295** | 8,138 |

*Notes:*

(a) Option for acquisition of equity interests

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

(b) Cash flow hedges

As at October 31, 2019, the Group had the foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales. During the year ended October 31, 2020, the foreign exchange forward contracts have been fully settled.

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

# 26. Derivative Financial Assets and Liabilities (Continued)

*Notes: (Continued)*

(b) Cash flow hedges (Continued)

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| At November 1 | **7,230** | 11,721 |
| Amounts reclassified to profit or loss *(Note)* | **(7,230)** | (4,491) |
| At October 31 | **–** | 7,230 |
| Change in fair value of foreign exchange forward contracts | **–** | – |
| Effective portion of the cash flow hedges recognised in other comprehensive income | **–** | – |

*Note:* Amounts reclassified to profit or loss are recognised in the "administrative expenses" line item in the consolidated income statement.

The Group entered into foreign currency forward contracts to mitigate currency exposure of significant future transactions and cash flows in foreign currency. At October 31, 2019, the notional amounts of the outstanding foreign exchange forward contracts were GBP21,000,000.

The derivative financial instruments were measured at fair value based on a valuation statement prepared by Standard Chartered Bank (Hong Kong) Limited on October 31, 2019. Their fair values were determined based on the quoted market prices for equivalent instruments.

During the current year, HK$7,230,000 (2020: HK$4,491,000) on cash flow hedge reserve was reclassified to profit or loss when the sales occurred.

# 27. Debtors, Deposits and Prepayments

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade debtors | **856,147** | 745,031 |
| Less: Allowance for bad and doubtful debts | **(107,342)** | (84,399) |
| | **748,805** | 660,632 |
| Other debtors | **134,145** | 131,012 |
| Less: Allowance for bad and doubtful debts | **(16,657)** | (13,452) |
| | **117,488** | 117,560 |
| Prepayments and deposits | **210,939** | 146,030 |
| | **328,427** | 263,590 |
| | **1,077,232** | 924,222 |

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

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Less than 91 days | **587,269** | 521,940 |
| 91 – 180 days | **73,086** | 34,822 |
| 181 – 365 days | **41,790** | 48,942 |
| More than 1 year | **46,660** | 54,928 |
| | **748,805** | 660,632 |

# 27. Debtors, Deposits and Prepayments (Continued)

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

| | Hong Kong dollars HK$'000 | Euro HK$'000 | Malaysian ringgits HK$'000 | RMB HK$'000 | SG dollars HK$'000 | US dollars HK$'000 | United Arab Emirates dirhams HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At October 31, 2021** | **37,267** | **20,044** | **23,528** | **335,401** | **41,918** | **170,472** | **44,238** | **75,937** | **748,805** |
| At October 31, 2020 | 24,371 | 2,739 | 22,859 | 436,809 | 29,797 | 65,310 | 37,552 | 41,195 | 660,632 |

At October 31, 2021, an allowance was made for estimated irrecoverable trade debtors of HK$107,342,000 (2020: HK$84,399,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

The loan receivable from an associate is unsecured, bears effective interest rate at 8.50% (2020: 8.50%) per annum and is repayable in varying amounts commencing September 30, 2015 till September 30, 2035. The fair value of the loan receivable approximates its carrying value.

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

At October 31, 2021, the amounts due from associates and joint ventures have been arrived at after deducting impairment loss of nil (2020: nil) and HK$5,412,000 (2020: HK$5,379,000) respectively. Written off of allowance for doubtful amounts due from associates of nil was made for the year (2020: HK$60,000). Allowance for doubtful amounts due from associates of nil and joint ventures of nil were made for the year (2020: nil).

# 29. Pledged Bank Deposits and Bank and Cash Balances

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

| | Hong Kong dollars HK$'000 | Euro HK$'000 | Malaysian ringgits HK$'000 | RMB *(Note)* HK$'000 | SG dollars HK$'000 | US dollars HK$'000 | United Arab Emirates dirhams HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At October 31, 2021** | | | | | | | | | |
| Cash at bank and on hand | **72,626** | **19,049** | **7,834** | **328,429** | **234,006** | **198,462** | **32,131** | **348,560** | **1,241,097** |
| Bank deposits | **–** | **–** | **8,417** | **103,377** | **15,434** | **3,611** | **887** | **110,424** | **242,150** |
| | **72,626** | **19,049** | **16,251** | **431,806** | **249,440** | **202,073** | **33,018** | **458,984** | **1,483,247** |
| Pledged bank deposits *(Note 41)* | **–** | **–** | **(85)** | **(1,537)** | **–** | **–** | **(887)** | **(1,167)** | **(3,676)** |
| Bank and cash balances | **72,626** | **19,049** | **16,166** | **430,269** | **249,440** | **202,073** | **32,131** | **457,817** | **1,479,571** |
| Non-pledged bank deposits with more than three months to maturity | **–** | **–** | **–** | **(5,343)** | **(15,387)** | **–** | **–** | **(6,921)** | **(27,651)** |
| Cash and cash equivalents | **72,626** | **19,049** | **16,166** | **424,926** | **234,053** | **202,073** | **32,131** | **450,896** | **1,451,920** |
| At October 31, 2020 | | | | | | | | | |
| Cash at bank and on hand | 34,270 | 11,025 | 11,112 | 355,992 | 285,316 | 263,760 | 26,513 | 112,821 | 1,100,809 |
| Bank deposits | – | – | 14,212 | 99,431 | 995 | 3,576 | 157 | 84,626 | 202,997 |
| | 34,270 | 11,025 | 25,324 | 455,423 | 286,311 | 267,336 | 26,670 | 197,447 | 1,303,806 |
| Pledged bank deposits | – | – | (82) | (1,335) | – | – | (157) | (388) | (1,962) |
| Bank and cash balances | 34,270 | 11,025 | 25,242 | 454,088 | 286,311 | 267,336 | 26,513 | 197,059 | 1,301,844 |
| Non-pledged bank deposits with more than three months to maturity | – | – | – | (4,960) | – | – | – | (2,956) | (7,916) |
| Cash and cash equivalents | 34,270 | 11,025 | 25,242 | 449,128 | 286,311 | 267,336 | 26,513 | 194,103 | 1,293,928 |

The effective interest rates on bank deposits range from 0.00% to 4.60% per annum (2020: 0.00% to 5.45% per annum), these deposits have maturity range from 7 days to 3 years (2020: 7 days to 3.75 years) and are subject to fair value interest rate risk.

*Note:* Included in the bank and cash balances of the Group, HK$431,806,000 (2020: HK$455,423,000) were denominated in RMB, which was not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

# 30. Creditors and Accrued Charges

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Trade creditors | **335,937** | 381,629 |
| Accrued charges | **1,490,402** | 1,108,762 |
| Other creditors | **16,454** | 22,335 |
| Provision for reinstatement costs | **3,700** | 3,520 |
| | **1,846,493** | 1,516,246 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Less than 91 days | **262,159** | 250,128 |
| 91 – 180 days | **20,488** | 31,538 |
| 181 – 365 days | **14,819** | 43,604 |
| More than 1 year | **38,471** | 56,359 |
| | **335,937** | 381,629 |

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

| | Hong Kong dollars HK$'000 | Euro HK$'000 | Malaysian ringgits HK$'000 | RMB HK$'000 | SG dollars HK$'000 | US dollars HK$'000 | United Arab Emirates dirhams HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At October 31, 2021** | **18,797** | **2,428** | **12,968** | **151,811** | **21,189** | **60,161** | **41,770** | **26,813** | **335,937** |
| At October 31, 2020 | 19,177 | 2,343 | 38,148 | 226,077 | 10,446 | 45,040 | 19,884 | 20,514 | 381,629 |

## 31. Borrowings

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Borrowings comprise the following: | | |
| Short-term borrowings | **177,137** | 159,128 |
| Long-term borrowings | **551,925** | 506,476 |
| | **729,062** | 665,604 |
| The borrowings are repayable as follows: | | |
| On demand or within one year | **337,091** | 271,671 |
| In the second year | **283,924** | 312,359 |
| In the third to fifth years, inclusive | **107,512** | 80,756 |
| After five years | **535** | 818 |
| | **729,062** | 665,604 |

*Note:* As at October 31, 2021, the Group has borrowings of HK$18,342,000 (2020: HK$18,819,000) due for repayment after one year but contain a repayment on demand clause.

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

| | **Hong Kong dollars** HK$'000 | **GBP** HK$'000 | **US dollars** HK$'000 | **New Taiwan dollars** HK$'000 | **Japanese yen** HK$'000 | **Others** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|---|---|
| **At October 31, 2021** | | | | | | | |
| Borrowings | **611,998** | **526** | **96,778** | **18,342** | **1,233** | **185** | **729,062** |
| At October 31, 2020 | | | | | | | |
| Borrowings | 598,498 | 505 | 46,114 | 18,819 | 1,479 | 189 | 665,604 |

As at October 31, 2021, the Group's borrowings of HK$4,429,000 (2020: HK$2,173,000) carry fixed interest rate at 0.36% to 2.50% per annum and expose the Group to fair value interest rate risk. The Group's borrowings of HK$724,633,000 (2020: HK$663,431,000) carry floating interest rates at 1.07% to 2.12% per annum, thus exposing the Group to cash flow interest rate risk.

Borrowings of HK$18,342,000 (2020: HK$18,819,000) is secured by a charge over the Group's certain leasehold land and buildings situated outside Hong Kong *(Note 17)*.

# 32. Lease Liabilities

| | Minimum lease payment | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **26,263** | 33,684 | **20,359** | 26,462 |
| In the second year | **21,716** | 32,569 | **16,743** | 26,653 |
| In the third to fifth years, inclusive | **33,494** | 52,202 | **20,230** | 38,778 |
| After five years | **141,974** | 141,302 | **90,116** | 87,360 |
| | **223,447** | 259,757 | **147,448** | 179,253 |
| Less: Future finance charges | **(75,999)** | (80,504) | **N/A** | N/A |
| Present value of lease obligations | **147,448** | 179,253 | **147,448** | 179,253 |
| Less: Amount due for settlement within one year (shown under current liabilities) | | | **(20,359)** | (26,462) |
| Amount due for settlement after one year (shown under non-current liabilities) | | | **127,089** | 152,791 |

The weighted average incremental borrowing rates applied to lease liabilities range from 1.39% to 16.30% (2020: 1.39% to 16.30%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

| | Hong Kong dollars | Malaysian ringgits | RMB | SG dollars | US dollars | United Arab Emirates dirhams | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At October 31, 2021** | **1,322** | **85** | **2,970** | **85,186** | **25,431** | **16,490** | **15,964** | **147,448** |
| At October 31, 2020 | 1,932 | 152 | 3,822 | 81,777 | 60,402 | 16,631 | 14,537 | 179,253 |

# 33. Contingent Consideration and Long-Term Payable

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At November 1 | **78,961** | 134,263 |
| Exchange adjustments | **464** | (1,652) |
| Consideration paid for acquisition of a subsidiary | **–** | (3,686) |
| Decrease in fair value | **(46,125)** | (19,342) |
| Transfer to other creditors | **–** | (30,622) |
| At October 31 | **33,300** | 78,961 |
| Analysed as: | | |
| Current liabilities | **33,300** | – |
| Non-current liabilities | **–** | 78,961 |
| | **33,300** | 78,961 |

The maturity of contingent consideration is as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within one year | **33,300** | – |
| More than one year, but not exceeding two years | **–** | 78,961 |
| | **33,300** | 78,961 |

The carrying amounts of the contingent consideration are denominated in the following currencies:

| | US dollars HK$'000 | GBP HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At October 31, 2021** | **33,300** | **–** | **33,300** |
| At October 31, 2020 | 74,238 | 4,723 | 78,961 |

# 33. Contingent Consideration and Long-Term Payable (Continued)

## Seed Communications LLC d/b/a Sub Rosa

Since Sub Rosa's audited EBIT for the 2021 fiscal year did not meet the minimum target, the Group does not need to pay the vendors any remaining consideration and the contingent consideration remaining balance is fully reversed in the year ended 2021.

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers at December 1, 2017 and valued by management at October 31, 2021, using the income approach. Included in consolidated profit or loss for the year was HK$20,927,000 (2020: HK$9,327,000) decrease in fair value of contingent consideration from October 31, 2020 to October 31, 2021.

## Camron Public Relations Limited

Since Camron PR's average EBITDA for the periods beginning on November 1, 2019 and ending on and including October 31, 2022 is not expected to meet the target, the Group does not need to pay the vendors any remaining consideration and the contingent consideration remaining balance is fully reversed in the year ended 2021. HK$33,063,000 represents the estimated fair value of this obligation on July 12, 2018.

Reference is made to the stock purchase agreement. The Group provided the first earn-out payment of GBP323,000 (equivalent to HK$3,203,000) in cash and GBP28,000 (equivalent to HK$279,000) in Class A-2 units of MTM Choice Holdings LLC, a subsidiary of the Group ("Class A-2 Units") settled on April 17, 2020.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is zero as Camron PR's average EBITDA for the periods beginning on November 1, 2019 and ending on and including October 31, 2022, is not expected to meet the target.

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers, at July 12, 2018 and valued by management at October 31, 2021, using the income approach. Included in consolidated profit or loss for the year was HK$5,009,000 (2020: HK$25,640,000) decrease in fair value of contingent consideration from October 31, 2020 to October 31, 2021.

# 33. Contingent Consideration and Long-Term Payable (Continued)

## Local Projects, LLC

The contingent consideration for the acquisition of Local Projects requires the Group to pay the seller remaining consideration not exceeding US$4,284,000 (equivalent to HK$33,300,000) in cash or Class A-2 Units following the expiry of each of the two years ended on October 31, 2021 ("Holdback Years") and ending at the end of the final year of three years from March 4, 2019 ("Earn-Out Years"), depending on the level of Local Projects' audited EBITDA for the Holdback Years and for the Earn-Out Years and depending on whether Local Projects' net revenue from a new business line meets specified targets. HK$54,137,000 represents the estimated fair value of this obligation on March 4, 2019.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$0 and US$4,853,000 (equivalent to HK$37,723,000) in cash or Class A-2 Units.

The contingent consideration was valued by Rockport Investment Partners LLC, an independent and registered professional firm of valuers, at March 4, 2019 and valued by management at October 31, 2021, using the income approach. Included in consolidated profit or loss for the year was HK$20,189,000 decrease (2020: HK$14,623,000 increase) in fair value of contingent consideration from October 31, 2020 to October 31, 2021.

### Update on the Acquisition of Local Projects

*Performance*

As at the date of this annual report, the EBITDA of Local Projects for the year ended October 31, 2021 calculated based on the audited financial statements of Local Projects was a loss of US$904,000 (equivalent to HK$7,027,000) which did not meet the lowest threshold of US$1,750,000 (equivalent to HK$13,603,000) pursuant to the holdback consideration arrangement as set out in the announcement of the Company dated March 4, 2019 in relation to the discloseable transaction of the acquisition of Local Projects (the "Announcement"). In accordance with the purchase agreement, the actual EBITDA in respect of the holdback consideration (the "Transaction EBITDA") is subject to the final determination and results of the Statement Review Procedure (as defined below).

*Holdback consideration*

The formula for the calculation of the holdback consideration for the acquisition of Local Projects, up to a maximum of US$6,000,000 (equivalent to HK$46,639,000) in cash, has been disclosed in the Announcement. The Transaction EBITDA will be determined based on and subject to certain review procedures, which may be invoked by the seller or the buyer for the purpose of confirming the Transaction EBITDA and the final amount of the holdback consideration (the "Statement Review Procedure").

As at the date of this annual report, the statement of the holdback consideration has not yet been delivered by Local Projects to the buyer and the seller and the deadline of the Statement Review Procedure has not yet expired. The aforesaid amount of the Transaction EBITDA has not been finalised. Accordingly, whether, and the amount of, the holdback consideration has to be paid is still uncertain.

To the best knowledge, information and belief of the Directors of the Company, the Company expects that the Transaction EBITDA and the amount of the holdback consideration can be finalised before August 2022.

*Earn-out consideration*

As at the date of this annual report, the earn-out consideration for the acquisition of Local Projects has not yet been fixed. Pursuant to the purchase agreement, in the event that the holdback consideration does not materialise, the earn-out consideration may be increased by up to US$6,000,000 (equivalent to HK$46,639,000) and given that US$3,000,000 (equivalent to HK$23,320,000) holdback consideration for the year ended October 31, 2020 has been fixed in December 2020, in the event that the remaining holdback consideration does not materialise, the remaining earn-out consideration may be increased by up to US$3,000,000 (equivalent to HK$23,320,000).

# 33. Contingent Consideration and Long-Term Payable (Continued)

## Infinity Marketing Team, LLC

With reference to the unit purchase agreement, the holdback consideration was fixed at US$1,468,000 (equivalent to HK$11,400,000) in cash paid on June 2, 2020, and the earn-out consideration fixed at US$1,425,000 (equivalent to HK$11,061,000) in cash, US$475,000 (equivalent to HK$3,686,000) paid on June 2, 2020, US$475,000 (equivalent to HK$3,683,000) paid on December 31, 2020, and US$475,000 (equivalent to HK$3,692,000) included in other payable subsequently settled in January 2022 (2020: long-term payable).

During the year, no (2020: HK$1,002,000 increase) change in fair value of contingent consideration from October 31, 2020 to October 31, 2021 was included in consolidated profit or loss.

### Update on the Acquisition of Infinity

*Holdback amount*

The holdback amount for the acquisition of Infinity of US$1,850,000 (equivalent to HK$14,380,000) (the "Holdback Amount") was agreed to be retained by Pico North America, Inc. (as the buyer) on the closing date, subject to the formula which has been disclosed in the announcement dated June 24, 2019; June 28, 2019 and September 1, 2021 of the Company in relation to the discloseable transaction of the acquisition of Infinity (the "Infinity Announcements"). The audited 2019 EBITDA (as defined in the Infinity Announcements) of Infinity was well above the minimum threshold and reached the range of US$3,000,000 (equivalent to HK$23,319,000) to US$4,960,000 (equivalent to HK$38,555,000).

*Earn-out consideration*

The earn-out consideration for the acquisition of Infinity, up to a maximum of US$2,000,000 (equivalent to HK$15,546,000), is calculated based on the formula as disclosed in the Infinity Announcements. According to the audited 2019 EBITDA (as defined in the Infinity Announcements) of Infinity, the earn-out consideration was fixed at US$1,425,000 (equivalent to HK$11,061,000) according to the formula as set out in the Infinity Announcements, which has been settled by the Group as at the date of this annual report.

# 34. Share Capital

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | | | **HK$'000** | HK$'000 |
| Ordinary shares of HK$0.05 each | | | | |
| Authorised: | | | | |
| At beginning of year and end of year | **2,400,000,000** | 2,400,000,000 | **120,000** | 120,000 |
| Issued and fully paid: | | | | |
| At beginning of year | **1,238,010,104** | 1,238,010,104 | **61,901** | 61,901 |
| Exercise of share options *(Note)* | **198,000** | – | **9** | – |
| At end of year | **1,238,208,104** | 1,238,010,104 | **61,910** | 61,901 |

*Note:* During the year, 198,000 shares were issued at HK$0.960 per share as a result of the exercise of share options of the Company (2020: nil).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group regularly reviews the capital structure by considering the costs of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends, new share issues and issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio, which is long-term borrowings including long-term lease liabilities divided by total assets. Total assets are calculated as non-current assets plus current assets. The gearing ratios as at October 31, 2021 and 2020 were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long-term borrowings including long-term lease liabilities | **519,060** | 546,724 |
| Non-current assets | **1,790,325** | 1,779,571 |
| Current assets | **3,595,516** | 2,985,369 |
| Total assets | **5,385,841** | 4,764,940 |

| | **2021** | 2020 |
|---|---|---|
| Gearing ratio | **9.64%** | 11.47% |

The Group overall strategy of gearing remains unchanged during the year.

# 35. Share-Based Payments

At the AGM of the Company held on March 22, 2012, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") under which the Directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the Scheme will remain valid for a period of 10 years from the date of its adoption.

The Company was authorised to grant share options under the Scheme for subscription of up to a total of 121,342,410 shares, representing 10% of the issued share capital of the Company as at the date of adoption. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be not less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to Eligible Persons, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.

As at October 31, 2021, the total number of outstanding share options issued under the Scheme is 10,826,000 which represents approximately 0.87% of the total number of shares in issue on that date.

# 35. Share-Based Payments (Continued)

(i) Details of the specific categories of options relevant for the year ended October 31, 2021 are as follows:

| | Date of grant | Vesting date | Exercise period | Exercise price HK$ |
|---|---|---|---|---|
| 2015 | 24-May-16 | | | |
| 1st tranche | | 25-May-16 | 25.5.2016 – 24.5.2021 | 2.040 |
| 2nd tranche | | 1-Nov-16 | 1.11.2016 – 24.5.2021 | 2.040 |
| 3rd tranche | | 2-May-17 | 2.5.2017 – 24.5.2021 | 2.040 |
| 4th tranche | | 1-Nov-17 | 1.11.2017 – 24.5.2021 | 2.040 |
| 2016 | 24-May-17 | | | |
| 1st tranche | | 25-May-17 | 25.5.2017 – 24.5.2022 | 3.308 |
| 2nd tranche | | 1-Nov-17 | 1.11.2017 – 24.5.2022 | 3.308 |
| 3rd tranche | | 2-May-18 | 2.5.2018 – 24.5.2022 | 3.308 |
| 4th tranche | | 1-Nov-18 | 1.11.2018 – 24.5.2022 | 3.308 |
| 2017 | 21-May-18 | | | |
| 1st tranche | | 23-May-18 | 23.5.2018 – 21.5.2023 | 3.350 |
| 2nd tranche | | 1-Nov-18 | 1.11.2018 – 21.5.2023 | 3.350 |
| 3rd tranche | | 2-May-19 | 2.5.2019 – 21.5.2023 | 3.350 |
| 4th tranche | | 1-Nov-19 | 1.11.2019 – 21.5.2023 | 3.350 |
| 2018 | 16-May-19 | | | |
| 1st tranche | | 17-May-19 | 17.5.2019 – 16.5.2024 | 2.606 |
| 2nd tranche | | 1-Nov-19 | 1.11.2019 – 16.5.2024 | 2.606 |
| 3rd tranche | | 4-May-20 | 4.5.2020 – 16.5.2024 | 2.606 |
| 4th tranche | | 2-Nov-20 | 2.11.2020 – 16.5.2024 | 2.606 |
| 2019A | 7-Sep-20 | | | |
| 1st tranche | | 8-Sep-20 | 8.9.2020 – 7.9.2025 | 0.960 |
| 2nd tranche | | 2-Nov-20 | 2.11.2020 – 7.9.2025 | 0.960 |
| 3rd tranche | | 3-May-21 | 3.5.2021 – 7.9.2025 | 0.960 |
| 4th tranche | | 1-Nov-21 | 1.11.2021 – 7.9.2025 | 0.960 |
| 2019B | 25-Feb-21 | | | |
| 1st tranche | | 26-Feb-21 | 26.2.2021 – 25.2.2026 | 1.280 |
| 2nd tranche | | 1-Nov-21 | 1.11.2021 – 25.2.2026 | 1.280 |
| 3rd tranche | | 3-May-22 | 3.5.2022 – 25.2.2026 | 1.280 |
| 4th tranche | | 1-Nov-22 | 1.11.2022 – 25.2.2026 | 1.280 |

If the options remain unexercised after a period of five years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group before the options exercise.

# 35. Share-Based Payments (Continued)

(ii) Details of the share options outstanding during the year are as follows:

| | **2021** Number of share options | **2021** Weighted average exercise price HK$ | 2020 Number of share options | 2020 Weighted average exercise price HK$ |
|---|---|---|---|---|
| Outstanding at November 1 | **7,000,000** | **2.52** | 5,180,000 | 3.11 |
| Granted during the year | **4,700,000** | **1.28** | 1,962,000 | 0.96 |
| Lapsed during the year | **(676,000)** | **2.36** | (142,000) | 2.44 |
| Exercised during the year | **(198,000)** | **0.96** | – | – |
| Outstanding at October 31 | **10,826,000** | **2.02** | 7,000,000 | 2.52 |
| Exercisable at October 31 | **6,854,000** | **2.47** | 5,426,000 | 2.94 |

The weighted average share price at the date of exercise for share options exercised during the year is HK$1.336. The options outstanding at end of year have a weighted average remaining contractual life of 3 years (2020: average life of 3 years) and the exercise prices range from HK$0.960 to HK$3.350 (2020: HK$0.960 to HK$3.350). In 2021, options were granted on February 25, 2021. The estimated fair value per option ranges from HK$0.210 to HK$0.213 with total fair value of HK$996,000. In 2020, options were granted on September 7, 2020. The estimated fair value per option was HK$0.136 with total fair value of HK$267,000.

These fair values were calculated using the Binomial Options Model. The inputs into the model were as follows:

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

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 model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of HK$852,000 for year ended October 31, 2021 (2020: HK$258,000) in relation to share options granted by the Company.

# 36. Statement of Financial Position and Reserve Movement of the Company

## Statement of financial position of the Company

| | Note | As at October 31<br>**2021**<br>**HK$'000** | <br>2020<br>HK$'000 |
|---|---|---|---|
| **Non-current Asset** | | | |
| Interests in subsidiaries | | **112,216** | 73,457 |
| **Current Assets** | | | |
| Amounts due from subsidiaries | | **756,784** | 771,420 |
| Bank and cash balances | | **618** | 451 |
| | | **757,402** | 771,871 |
| **Current Liabilities** | | | |
| Creditors and accrued charges | | **6,218** | 1,737 |
| Financial guarantee | | **45,822** | 7,063 |
| | | **52,040** | 8,800 |
| **Net Current Assets** | | **705,362** | 763,071 |
| **NET ASSETS** | | **817,578** | 836,528 |
| **Capital and Reserves** | | | |
| Share capital | *34* | **61,910** | 61,901 |
| Reserves | *37* | **755,668** | 774,627 |
| **TOTAL EQUITY** | | **817,578** | 836,528 |

Approved by the Board of Directors on January 25, 2022 and are signed on its behalf by:

**LAWRENCE CHIA SONG HUAT**
*DIRECTOR*

**MOK PUI KEUNG**
*DIRECTOR*

# 36. Statement of Financial Position and Reserve Movement of the Company (Continued)

## Reserve movement of the Company

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Equity-settled share-based payment reserve HK$'000 | Special reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At November 1, 2019 | 776,596 | 854 | 2,527 | 50,594 | 12,883 | 843,454 |
| Total comprehensive income for the year | – | – | – | – | 42,336 | 42,336 |
| Recognition of equity-settled share-based payments | – | – | 258 | – | – | 258 |
| Transfer | 59 | – | (59) | – | – | – |
| 2019 final dividend | – | – | – | – | (111,421) | (111,421) |
| At October 31, 2020 and November 1, 2020 | 776,655 | 854 | 2,726 | 50,594 | (56,202) | 774,627 |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **10,963** | **10,963** |
| Shares issued at premium | **180** | **–** | **–** | **–** | **–** | **180** |
| Recognition of equity-settled share-based payments | **–** | **–** | **852** | **–** | **–** | **852** |
| Exercise of equity-settled share-based payments | **27** | **–** | **(27)** | **–** | **–** | **–** |
| Transfer | **264** | **–** | **(264)** | **–** | **–** | **–** |
| 2020 final dividend | **–** | **–** | **–** | **–** | **(30,954)** | **(30,954)** |
| **At October 31, 2021** | **777,126** | **854** | **3,287** | **50,594** | **(76,193)** | **755,668** |

# 37. Reserves

## Nature and purpose of reserves

### Share premium

Under the Companies Act (2021 Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### Capital redemption reserve

The capital redemption reserve represents the nominal amount of share capital repurchased through the Stock Exchange and cancelled by the Company. The issued share capital was reduced by the nominal value thereof and transfer to the capital redemption reserve upon cancellation of the repurchased shares.

### Capital reserve

The capital reserve of the Group represents the difference between the nominal amounts of the share capital issued by the Company in exchange for the nominal amount of the share capital of its subsidiaries at the date of reorganisation.

### Equity-settled share-based payment reserve

The fair value of the actual or estimated number of unexercised share options granted to Directors of the Company and employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 4 to the consolidated financial statements.

### Legal reserve

The legal reserve of the Group represents the transfer from the retained earnings of the Company's subsidiaries as required by respective local laws and regulations.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

# 37. Reserves (Continued)

## Nature and purpose of reserves (Continued)

### Special reserve

The special reserve of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net assets of subsidiaries acquired by the Company at the date of reorganisation.

### Assets revaluation reserve

The assets revaluation reserve is adopted for property revaluation increase when an owner-occupied property is transferred to investment property upon the change in use. On the subsequent sale or retirement of the property, the attributable revaluation reserve is transferred directly to retained earnings.

### Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges.

### Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 4 to the consolidated financial statements.

# 38. Deferred Tax

The following are the deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation HK$'000 | Revaluation of properties HK$'000 | Withholding tax arising on undistributed earnings of subsidiaries HK$'000 | Intangible assets HK$'000 | Tax loss HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At November 1, 2019 | 7,667 | 28,896 | 1,554 | 27,076 | – | (1,691) | 63,502 |
| Exchange adjustments | (182) | (57) | – | (45) | (48) | (259) | (591) |
| Dissolution of subsidiaries | – | – | – | – | – | 309 | 309 |
| (Credit) charge to profit or loss for the year | (239) | (657) | 50 | (1,036) | (2,378) | 721 | (3,539) |
| At October 31, 2020 and November 1, 2020 | 7,246 | 28,182 | 1,604 | 25,995 | (2,426) | (920) | 59,681 |
| Exchange adjustments | **363** | **67** | **–** | **67** | **105** | **(277)** | **325** |
| (Credit) charge to profit or loss for the year *(Note 12)* | **(744)** | **3,242** | **92** | **(201)** | **(204)** | **(456)** | **1,729** |
| Charge to other comprehensive income for the year | **–** | **15,565** | **–** | **–** | **–** | **–** | **15,565** |
| **At October 31, 2021** | **6,865** | **47,056** | **1,696** | **25,861** | **(2,525)** | **(1,653)** | **77,300** |

Deferred tax of HK$1,696,000 (2020: HK$1,604,000) has been provided in the consolidated financial statements in respect of the undistributed profits earned by the Group's subsidiaries in Japan, Taiwan and the PRC. Starting from January 1, 2008, the undistributed profits, earned by the Group's PRC subsidiaries attributable to the Group, are subject to the PRC Enterprise Income Tax Law upon the distribution of such profits to the shareholders outside the PRC. The applicable withholding tax rate for the Group for the year ended October 31, 2021 is 5% (2020: 5%).

At the end of the reporting period, deferred tax of HK$32,230,000 (2020: HK$30,478,000) has not been recognised in respect of certain undistributed earnings of subsidiaries.

The following is the analysis of the deferred tax balances:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Deferred tax liabilities | **81,478** | 63,027 |
| Deferred tax assets | **(4,178)** | (3,346) |
| | **77,300** | 59,681 |

At October 31, 2021, the Group has unused tax losses of HK$241,825,000 (2020: HK$248,433,000), available to offset against future profits. A deferred tax asset has been recognised in respect of HK$9,946,000 (2020: HK$10,262,000) of such losses. Included in unrecognised tax losses are HK$173,770,000 (2020: HK$174,387,000) may be carried forward indefinitely, and the tax losses of HK$58,109,000 (2020: HK$63,784,000) which will expire within 5 years up to year 2026.

## 39. Reconciliation of Profit before Tax to Cash Flows from Operations

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Profit before tax | **156,530** | 59,304 |
| Adjustments for: | | |
| Finance costs | **18,228** | 24,554 |
| Interest income | **(7,118)** | (6,681) |
| Interest income from financial assets at FVTPL | **–** | (175) |
| Dividend income from financial assets at FVTOCI | **(6)** | (10) |
| Depreciation of property, plant and equipment | **45,524** | 48,786 |
| Depreciation of right-of-use assets | **27,348** | 31,248 |
| Amortisation of other intangible assets | **66,540** | 41,523 |
| Loss (gain) on disposal of property, plant and equipment, net | **179** | (442) |
| Gain on lease modification, net | **(104)** | – |
| Other intangible assets written off | **–** | 110 |
| (Increase) decrease in fair value of investment properties, net | **(10,395)** | 7,242 |
| Decrease in remeasurement of contingent consideration | **(46,125)** | (19,342) |
| Gain on dissolution of subsidiaries, net | **(3,314)** | (173) |
| Loss on dissolution of associates | **–** | 579 |
| Increase in fair value of derivative financial assets | **(1,663)** | (1,636) |
| Bad debts written off | **632** | 3,944 |
| Allowance for bad and doubtful debts | **45,780** | 35,781 |
| Allowance written back on bad and doubtful debts | **(17,669)** | (21,309) |
| Allowance for inventories | **–** | 262 |
| Impairment of goodwill | **–** | 19,469 |
| Impairment on interest in an associate | **8,381** | 8,580 |
| Share of (profits) losses of associates | **(2,584)** | 10,989 |
| Equity-settled share-based payments expenses | **852** | 258 |
| COVID-19 Related rent concessions received | **(4,902)** | – |
| Operating profit before changes in working capital | **276,114** | 242,861 |
| Decrease in inventories | **236** | 16,713 |
| Increase in contract assets | **(214,095)** | (229,570) |
| Increase in financial assets at FVTPL | **(24,706)** | – |
| Decrease (increase) in amounts due from associates | **4,874** | (1,317) |
| Increase in amounts due from joint ventures | **(134)** | (132) |
| (Increase) decrease in debtors, deposits and prepayments | **(154,923)** | 459,759 |
| Increase (decrease) in creditors and accrued charges | **333,107** | (347,998) |
| Increase in contract liabilities | **60,621** | 46,761 |
| (Decrease) increase in amounts due to associates | **(16)** | 12,110 |
| Increase in amounts due to joint ventures | **14** | 261 |
| Cash flows from operations | **281,092** | 199,448 |

# 40. Notes to the Consolidated Statement of Cash Flows

## Dissolution of subsidiaries

Eleven wholly-owned subsidiaries of the Group were dissolved during the year, and a past translation loss of HK$234,000 was reclassified to this year's consolidated profit or loss. Gain arising on the dissolution of these subsidiaries, including the translation loss, amounting to HK$3,314,000 is included in other income.

The carrying amounts of the assets and liabilities at its date of dissolution, were as follows:

| | 2021<br>HK$'000 |
|---|---|
| Net assets dissolved of: | |
| Property, plant and equipment *(Note 17)* | **–** |
| Debtors, deposits and prepayments | **82** |
| Creditors and accrued charges | **(3,630)** |
| | **(3,548)** |
| Release of translation reserve | **234** |
| Gain on dissolution of subsidiaries, net | **3,314** |
| Total consideration – satisfied by cash | **–** |
| Net cash outflow arising on dissolution of subsidiaries: | |
| Bank and cash balances dissolved of | **–** |

## Purchase of non-controlling interests

The Group purchased 346,666 units from NOM's shareholders at US$1 per unit at July 31, 2021 at a cash consideration of HK$2,695,000, which was settled during the year.

The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

| | 2021<br>HK$'000 |
|---|---|
| Share of net assets in subsidiaries acquired | **2,695** |
| Consideration | **(2,695)** |
| Loss on acquisition recognised directly in equity | **–** |

# 40. Notes to the Consolidated Statement of Cash Flows (Continued)

## Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | At November 1, 2020 HK$'000 | Changes from financing cash flows HK$'000 | Interest expenses HK$'000 | Effect of changes in foreign exchange rates HK$'000 | Acquisition of lease HK$'000 | Other changes HK$'000 | At October 31, 2021 HK$'000 |
|---|---|---|---|---|---|---|---|
| Borrowings *(Note 31)* | 665,604 | 51,872 | 10,991 | 595 | - | - | 729,062 |
| Lease liabilities *(Note 32)* | 179,253 | (24,863) | 7,100 | 1,532 | 12,225 | (27,799) | 147,448 |
| Contingent consideration *(Note 33)* | 78,961 | - | - | 464 | - | (46,125) | 33,300 |
| | 923,818 | 27,009 | 18,091 | 2,591 | 12,225 | (73,924) | 909,810 |

| | At November 1, 2019 HK$'000 | Impact on initial application of HKFRS 16 HK$'000 | Restated balance at November 1, 2019 HK$'000 | Changes from financing cash flows HK$'000 | Interest expenses HK$'000 | Effect of changes in foreign exchange rates HK$'000 | Acquisition of lease HK$'000 | Other changes HK$'000 | At October 31, 2020 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Borrowings | 612,055 | – | 612,055 | 36,661 | 16,143 | 745 | – | – | 665,604 |
| Lease liabilities | – | 134,169 | 134,169 | (33,170) | 8,283 | (1,149) | 66,901 | 4,219 | 179,253 |
| Contingent consideration | 134,263 | – | 134,263 | (3,686) | – | (1,652) | – | (49,964) | 78,961 |
| | 746,318 | 134,169 | 880,487 | (195) | 24,426 | (2,056) | 66,901 | (45,745) | 923,818 |

# 40. Notes to the Consolidated Statement of Cash Flows (Continued)

## Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Within operating cash flows | **17,663** | 21,121 |
| Within financing cash flows | **17,763** | 24,887 |
| | **35,426** | 46,008 |

These amounts relate to the following:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Lease rental paid | **35,426** | 46,008 |

# 41. Pledge of Assets

At October 31, 2021, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Freehold land and buildings | **58,789** | 57,813 |
| Leasehold land and buildings | **118,113** | 117,018 |
| Pledged bank deposits | **3,676** | 1,962 |
| | **180,578** | 176,793 |

# 42. Capital Commitments

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Capital expenditures in respect of property, plant and equipment and other investment | | |
| – contracted but not provided for | **6,951** | 8,035 |
| – authorised but not contracted for | **6,541** | 7,806 |
| | **13,492** | 15,841 |

# 43. Operating Lease Commitments

## The Group as lessee

The Group regularly entered into short-term leases for offices and staff quarters, and leases of low value assets for laptops and office equipment. As at October 31, 2021, the portfolio of short-term leases and leases of low value assets are similar to the portfolio of short-term leases and leases of low value assets to which the short-term leases and leases of low value assets expenses disclosed in Note 18 to the consolidated financial statements.

As at October 31, 2021, the outstanding short-term leases and leases of low value assets commitments relating to these offices and staff quarters, and laptops and office equipment are HK$1,762,000 and HK$172,000 respectively (2020: HK$1,024,000 and HK$108,000 respectively).

## The Group as lessor

Operating leases relate to investment property owned by the Group and are leases for residential, office premises and factory for an average term of one to ten years (2020: one to three years) and the rentals are fixed over the terms of the leases. All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Within one year | **24,765** | 23,814 |
| In the second year | **14,160** | 6,753 |
| In the third year | **11,665** | 1,911 |
| In the fourth year | **10,276** | – |
| In the fifth year | **10,905** | – |
| After five years | **53,388** | – |
| Total | **125,159** | 32,478 |

The following table presents the amounts reported in profit or loss:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Lease income on operating leases | **32,470** | 33,223 |
| Therein lease income relating to variable lease payments that do not depend on an index or rate | **–** | – |

## 44. Contingent Liabilities

At October 31, 2021, the Group has issued the following guarantees:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Performance guarantees | | |
| – secured | **144,647** | 135,130 |
| – unsecured | **37,400** | 45,853 |
| | **182,047** | 180,983 |
| Other guarantees | | |
| – secured | **2,533** | 4,397 |

At October 31, 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.

## 45. Retirement Benefit Scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the retirement benefit scheme are held separately from those of the Group in funds under the control of the trustees.

The retirement benefit scheme's cost charged to profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of scheme. Where there are employees who leave the retirement benefit scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the end of the reporting period, contribution forfeited of HK$108,000 (2020: HK$108,000), which arose upon employees leaving the retirement benefit scheme and which are available to reduce the contributions payable by the Group.

This retirement benefit scheme has now been closed to new employees in Hong Kong as consequence of the new Mandatory Provident Fund Pension Legislation introduced by the Hong Kong Government. New staff in Hong Kong joining the Group after December 1, 2000 are required to join the Mandatory Provident Fund.

All Hong Kong staff employed by the Group before December 1, 2000 have been offered to join the Mandatory Provident Fund or remain under the Group's retirement benefit scheme. The Group and the employees contribute the same amount of 5% of the monthly remunerations up to HK$1,500 per month to the Mandatory Provident Fund.

# 46. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its associates, joint ventures and related companies during the year:

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Associates HK$'000** | **Joint ventures HK$'000** | **Related companies HK$'000** | Associates HK$'000 | Joint ventures HK$'000 | Related companies HK$'000 |
| For the year ended October 31 | | | | | | |
| Exhibition income | **62** | **–** | **–** | 452 | – | – |
| Sub-contracting fee paid | **6,141** | **–** | **–** | 22,493 | – | – |
| Management fee income | **2,755** | **–** | **–** | 5,719 | – | – |
| Property rental income | **492** | **–** | **–** | 478 | – | – |
| Property rental expenses | **–** | **–** | **–** | – | – | 612 |
| Other income | **1,597** | **–** | **465** | 10,926 | 9 | 503 |
| Other expense | **–** | **32** | **–** | – | – | – |
| As at October 31 | | | | | | |
| Receivables | **25,910** | **407** | **25** | 30,873 | 270 | 4 |
| Payables | **1,892** | **1,022** | **36** | 1,907 | 1,000 | 1 |

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

Compensation of key management personnel (including Executive Directors) of the Group during the year:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kinds | **44,439** | 27,808 |
| Group's contributions to retirements scheme | **345** | 327 |
| Share-based payments | **690** | 42 |
| | **45,474** | 28,177 |

# 47. Particulars of Principal Subsidiaries

Details of the Company's principal subsidiaries as at October 31, 2021 are as follows:

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| A. E. Smith Brand Management (Shanghai) Co., Ltd.@ | The PRC | US$2,500,000 | 100 | Visual branding solutions, brand management, design and consultancy services and investment holding |
| Beijing Action One Communications Co., Ltd.@ | The PRC | RMB3,231,000 | 100 | Technology solutions for exhibition, event, museum, interior and themed environment |
| Beijing Pico DesignWorks Co., Ltd. π | The PRC | RMB10,000,000 | 100 | Construction, interior design, turnkey services for exhibition, museum, interior, themed environment, image consultancy and project management |
| Beijing Pico Exhibition Management Co., Ltd. π | The PRC | RMB50,000,000 | 100 | Property holding, turnkey services for exhibition, event, museum, interior and themed environment |
| Beijing Pico Exhibition Services Co., Ltd.@ | The PRC | US$1,897,000 | 100 | Investment holding, turnkey services for exhibition, event, museum, interior and themed environment |
| Camron Public Relations Limited *(Note b)* | The United Kingdom | GBP35,000 | 71.6 | Design, lifestyle and business innovation communications agency |
| Dongguan Pico Exhibition Engineering Co., Limited@ | The PRC | RMB50,000,000 | 100 | Property holding, production of exhibition, event products, museum, themed environment and interior fit-out |
| Dongguan Pico Exhibition Services Co., Limited@ | The PRC | HK$8,850,000 | 100 | Production of exhibition, event products, museum, themed environment and interior fit-out |
| E3 Information Technology Company Limited ^ | The PRC | RMB7,000,000 | 100 | Innovative services and disruptive technology |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Epicentro Digital Limited | Hong Kong | HK$1 | 100 | Visual content, digital content and digital marketing solutions |
| Fairtrans International Ltd. | Japan | Japanese Yen 10,000,000 | 100 | Freight forwarding, exhibition logistics and transportation services for exhibitors |
| FUTR World Limited | The United Kingdom | GBP300 | 51 | Organisation and managing exhibition, conferences and events |
| Tianjin Pico Exhibition Management Co., Ltd (f.k.a. Global International Convention and Exhibition (Tianjin) Company Limited)[π] | The PRC | RMB1,800,000 | 100 | Operation and management of exhibition and convention centre, and exhibition services |
| Global-Link MP Events International Inc. *(Note b)* | The Philippines | Philippine Pesos 1,000,000 | 60 | Organisation and managing exhibition, conferences and events; virtual and online solution |
| GMC Hong Kong Ltd. | Hong Kong | HK$10 | 100 | Production of exhibition, event, museum, themed environment and interior fit-out products |
| GMC Interior Decoration LLC | Dubai | United Arab Emirates Dirhams 300,000 | 49 *(Note a)* | Property holding |
| GMC Production Limited (f.k.a. A.E. Smith (China) Company Limited) | Hong Kong | HK$10,000 | 100 | Organisation and managing exhibition, conferences and events |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Guangzhou Pico Exhibition Services Co., Ltd.[@] | The PRC | HK$12,500,000 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Guangzhou Pico Plus Services Co., Ltd. | The PRC | RMB5,000,000 | 100 | Full services of above-the-line engagement, brand marketing, digital and public relations agency; virtual and online solution |
| Hydenseek Entertainment Pte Ltd. *(Note b)* | Singapore | S$100,000 | 100 | Interior renovation, design and consultancy services |
| Intertrade Lanka Management (Private) Limited *(Note b)* | Sri Lanka | Lankan Rupees 8,472,500 | 100 | Design, development, management and operation of exhibition and convention centre |
| Intertrade (Sri Lanka) Pte Ltd. *(Note b)* | Singapore | S$2 | 100 | Investment holding |
| Intertrade Services Pte Ltd. | Republic of Seychelles | US$1 | 100 | Provision of management services for exhibitions and trade fairs and investment holding |
| Infinity Marketing Team, LLC *(Note b)* | The United States | – | 60 | Marketing, event and promotion management |
| Infinity Pico Asia Limited | Hong Kong | HK$2 | 100 | Organisation and managing exhibition, conferences and events |
| Local Projects, LLC *(Note b)* | The United States | – | 71.6 | Cultural and corporate centre concept, design and production management |
| MP Congress and Exhibitions Pte Ltd. *(Note b)* | Singapore | S$100,000 | 100 | Event management services and investment holding |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| MP International Investments Pte Ltd. *(Note b)* | Singapore | S$10,000 | 100 | Investment holding |
| MP International Pte Ltd. *(Note b)* | Singapore | S$1,500,000 | 100 | Investment holding, management of convention, conference, and management development programme and course |
| MP Singapore Pte Ltd. *(Note b)* | Singapore | S$1,500,000 | 100 | Management of convention, conference, seminar and exhibition |
| MTM Choice Holdings LLC *(Note b)* | The United States | US$39,430,832 - Class A<br>US$10,000 - Class B<br>*(Note d)* | 71.6 | Investment holding |
| Not Ordinary Media, LLC *(Note b)* | The United States | – | 71.6 | Media planning, procurement and optimisation in social video for clients |
| P3 Hub Limited | Hong Kong | HK$10,000 | 100 | Innovative services and disruptive technology |
| Parico Electrical Engineering Sdn. Bhd. *(Note b)* | Malaysia | Malaysian Ringgits 100,000 | 50 *(Note a)* | Electrical specialist |
| Pico Art International Pte Ltd. *(Note b)* | Singapore | S$1,500,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior, themed environment; virtual and online solution and investment holding |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Pico Concept Limited *(Note b)* | The United Kingdom | GBP80 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment |
| Pico Contracts Limited | Hong Kong | HK$7,600,000 | 100 | Museum and theme park design, construction and decoration; consultancy and project management |
| Pico Convention and Exhibition (Xi'an) Company Limited@ | The PRC | RMB5,135,130 | 100 | Services to organisers and fabrication of exhibition booths |
| Pico Global Services Limited | Hong Kong | HK$100 | 100 | Provision of corporate services and consultancy services |
| Pico Hanoi Co., Ltd. | Vietnam | US$50,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico Ho Chi Minh City Ltd. *(Note b)* | Vietnam | US$300,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico IES Group (China) Co., Ltd.@ | The PRC | US$140,000 | 100 | Services to organisers and fabrication of exhibition booths; virtual and online solution |
| Pico IES Group Limited | Hong Kong | HK$10,000 | 100 | Services to organisers and fabrication of exhibition booths; virtual and online solution |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Pico IN-Creative (UK) Ltd. *(Note b)* | The United Kingdom | GBP1 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International (Henan) Exhibition Services Company Limited# | The PRC | RMB5,000,000 | 60 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International (HK) Limited | Hong Kong | HK$2,600,000 – ordinary shares HK$2,500,000 – non-voting deferred shares *(Note c)* | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution and investment holding |
| Pico International Interior Fit Out LLC *(Note b)* | Dubai | United Arab Emirates Dirhams 300,000 | 95 | Production of exhibition, event products and interior fit-out |
| Pico International (M) Sdn. Bhd. *(Note b)* | Malaysia | Malaysian Ringgits 1,075,200 | 50 *(Note a)* | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International (Macao) Limited | Macau | Macau Pataca 25,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International (LA) Inc. | The United States | US$1,000 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Pico International (Oman) LLC *(Note b)* | Oman | – | 95 | Organisation and management of events |
| Pico International (Qatar) WLL *(Note b)* | Qatar | Qatari Riyals 200,000 | 95 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International Exhibitions and Events Organization LLC *(Note b)* | Abu Dhabi | United Arab Emirates Dirhams 200,000 | 95 | Exhibition organisation and management, exhibition installations execution works, event organisation and management |
| Pico International Exhibition Services Limited | Hong Kong | HK$100 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International LLC (DMCC Branch) *(Note b)* | Dubai | – | 95 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International Ltd. | Japan | Japanese Yen 10,000,000 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico International Taiwan Ltd. *(Note b)* | Taiwan | New Taiwan Dollars 20,000,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Pico Investments BVI Ltd. *(Note e)* | British Virgin Islands | US$316 | 100 | Investment holding |
| Pico Myanmar Company Limited *(Note b)* | Myanmar | US$50,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico North Asia Ltd. | Korea | Korean Won 200,000,000 | 99.28 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico Play Sdn Bhd | Malaysia | Malaysian Ringgits 500,000 | 55 | Organisation, promotion and management of events and other consultancy activities |
| Pico Play Pte Ltd. | Singapore | S$100,000 | 55 | Design consultancy, project management and thematic construction services |
| Pico Play Pty Ltd. | Australia | AUD1,000 | 55 | Design consultancy, project management and thematic construction services |
| Pico Production Ltd. *(Note b)* | Dubai | – | 95 | Production of exhibition, event products and interior fit-out |
| Pico Pro International Limited | Hong Kong | HK$10,000 | 100 | Exhibition organising and event management; virtual and online solution and investment holding |
| Pico Pro Pte Ltd. | Singapore | S$10,000 | 100 | Event organiser, show organisation and event creation |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Pico Projects (International) Limited | Hong Kong | HK$100 | 100 | Interior design and renovation, exhibition and event fabrication; venue overlay and project management |
| Pico-Sanderson JV Pte Ltd. *(Note b)* | Singapore | S$1,000,000 | 100 | Themed design, construction and project management services |
| Pico Services Mumbai Private Limited *(Note b)* | India | India Rupee 29,894,130 | 100 | Turnkey services for exhibition, event, museum, interior and themed environment |
| Pico TBA Consulting Group (Beijing) Limited@ | The PRC | RMB5,000,000 | 100 | Full services of brand marketing, digital and creative agency |
| Pico TBA Consulting Group (Shanghai) Limited@ | The PRC | RMB5,000,000 | 100 | Full services of brand marketing, digital and creative agency |
| Pico Venture Pte Ltd. *(Note b)* | Singapore | S$400,000 | 100 | Investment holding |
| Pico Venue Services Limited | Hong Kong | HK$2 | 100 | Investment holding |
| Pico World (Singapore) Pte Ltd. *(Note b)* | Singapore | S$500,000 | 100 | Exhibition design and fabrication, event and promotion |
| PT Pico TBA *(Note b)* | Indonesia | Indonesian Rupiahs 3,000,000 | 100 | Full services of brand marketing, digital and creative agency |
| Pudong Pico Exhibition Producer Co., Ltd@ | The PRC | US$140,000 | 100 | Production of exhibition, event, museum, themed environment and interior fit-out products |
| Seed Communications LLC d/b/a Sub Rosa *(Note b)* | The United States | – | 71.6 | Cultural intelligence and social listening |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| Shanghai Pico Exhibition Management Co., Ltd. π | The PRC | RMB7,000,000 | 100 | Brand strategy and design, services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Shanghai Pico Exhibition Services Co., Ltd.@ | The PRC | US$848,000 | 100 | Services to organisers, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Shanghai Pico Management Company Limited@ | The PRC | US$10,000,000 | 100 | Property and investment holding |
| Shanghai Pico Plus Marketing Consulting Ltd.@ | The PRC | US$647,000 | 92.5 | Above-the-line engagement marketing, brand strategy and public relations |
| Shanghai Pixels Information Technology Co., Ltd. π | The PRC | RMB5,000,000 | 100 | Design and technology solutions for interactive experience |
| Shenzhen Pico Exhibition Services Co., Ltd.@ | The PRC | HK$4,000,000 | 100 | Services to organiser, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Shenzhen Pico Plus Services Company Limited π | The PRC | RMB6,000,000 | 100 | Full services of above-the-line engagement, brand marketing, digital and public relations agency |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| TBA (Indonesia) Pte Ltd. *(Note b)* | Singapore | S$2 | 100 | Full services of brand marketing, digital and creative agency and investment holding |
| TBA Creative Co., Ltd. | Japan | Japanese Yen 9,000,000 | 60 | Full services of above-the-line engagement, brand marketing, digital and public relations agency |
| Tinsel Limited *(Note e)* | British Virgin Islands | US$10 | 100 | Investment holding |
| Total Brand Activation Hong Kong Limited | Hong Kong | HK$1 | 100 | Full services of brand marketing, digital and creative agency |
| Total Brand Activation Pte Ltd. *(Note b)* | Singapore | S$250,000 | 100 | Full services of brand marketing, digital and creative agency |
| Total Brand Activation QFZ LLC | Qatar | – | 95 | Full services of brand marketing |
| UCP Entertainment Pte Ltd. *(Note b)* | Singapore | S$10,000 | 70 | Event intellectual property license manager, promotor, creator and turnkey event organiser |
| World Image International Ltd. | Hong Kong | HK$10,000 | 100 | Visual branding solutions, brand management, design and consultancy services and investment holding |
| World Image Plus Pte Ltd. | Singapore | S$1 | 100 | Visual branding solutions, brand management, design and consultancy services |

# 47. Particulars of Principal Subsidiaries (Continued)

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Proportion of nominal value of issued capital / registered capital held by the Group % | Principal activities |
|---|---|---|---|---|
| World Image (China) Company Ltd.@ | The PRC | US$140,000 | 100 | Visual branding solutions, brand management, design and consultancy services and investment holding |
| Yangon Convention Centre Ltd. *(Note b)* | Myanmar | US$50,000 | 100 | Property holding, operation of exhibition and convention centre |
| Zhuhai Pico Construction Design Company Limited π | The PRC | – | 100 | Interior decoration, exhibition and events construction |

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

@ These subsidiaries are registered as wholly-owned foreign enterprise under the PRC law.

# These subsidiaries are Sino-foreign equity joint ventures.

^ These subsidiaries are registered in the PRC as co-operative liability companies.

π These subsidiaries are registered in the PRC with limited liability.

*Notes:*

a. These companies are deemed to be subsidiaries of the Company as the Company controls the composition of the board of directors.

b. These subsidiaries are audited by other firms of auditors.

c. The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up. The subsidiary had been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

d. The Group holds part of the Class A units of the subsidiary, which have the rights to control and manage the subsidiary. Under the conditions and terms pursuant to the agreement, distributions will be made to Class A unit members until equal to their capital contribution and a specified cumulative return. Distributions will then be made to Class B unit members, which are held by non-controlling interests and do not have the right to control the subsidiary. The remaining distributions will be made to Class A and B unit members in proportions of 80% and 20% respectively.

e. Except for Tinsel Limited and Pico Investments BVI Ltd., all other subsidiaries are indirectly held by the Company.

# 47. Particulars of Principal Subsidiaries (Continued)

The following table shows information on the subsidiaries that have non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

| Name<br>Principal place of business | MTM Choice Holdings LLC and its subsidiaries<br>The United States | |
|---|---|---|
| | **2021** | 2020 |
| Percentage of ownership interests/<br>Voting rights held by non-controlling interests | **28.4%/<br>28.4%** | 29.0%/<br>29.0% |
| | **HK$'000** | HK$'000 |
| At October 31, | | |
| Non-current assets | **404,477** | 456,566 |
| Current assets | **126,496** | 151,519 |
| Non-current liabilities | **(173,034)** | (244,786) |
| Current liabilities | **(100,307)** | (89,598) |
| Net assets | **257,632** | 273,701 |
| Accumulated non-controlling interests | **73,167** | 79,373 |
| Year ended October 31, | | |
| Revenue | **310,302** | 368,896 |
| (Loss) profit for the year | **(13,395)** | 26,294 |
| Total comprehensive (expenses) income | **(13,395)** | 26,294 |
| (Loss) profit allocated to non-controlling interests | **(4,002)** | 6,322 |
| Dividend distribution to non-controlling interests | **–** | – |
| Net cash (used in) generated from operating activities | **(1,944)** | 60,015 |
| Net cash used in investing activities | **(37,081)** | (27,344) |
| Net cash used in financing activities | **(9,267)** | (18,102) |
| Net (decrease) increase in cash and cash equivalents | **(48,292)** | 14,569 |

# 48. Particulars of Principal Associates

Details of the Group's principal associates as at October 31, 2021 are as follows:

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Attributable equitable interest of the Group % | Principal activities |
|---|---|---|---|---|
| Arina International Holding Pte Ltd. | Singapore | S$300,000 | 30 | Exhibition and interior contractor |
| Global Spectrum Pico Holdings Pte Ltd. | Singapore | S$100 | 35 | Investment holding |
| Global Spectrum Pico Pte Ltd. | Singapore | S$100,000 | 35 | Business management and consultancy services |
| InfocommAsia Pte Ltd. | Singapore | S$20,000 | 45 | Management of convention and conference |
| International Furniture Fair Singapore Pte Ltd. | Singapore | S$100,000 | 40 | Exhibition organiser |
| J&P Sports Culture Communication Shanghai Company Limited *(Note a)* | The PRC | RMB10,000,000 | 49 | Turnkey services for exhibition, event, museum, interior and themed environment |
| Pico Australia Pty Ltd. | Australia | AUD100 | 49 | Turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Pico (Thailand) Public Company Limited | Thailand | Baht 215,294,559 – ordinary shares Baht 330,000 – preferred shares | 42.4 | Services to organiser, turnkey services for exhibition, event, museum, interior and themed environment; virtual and online solution |
| Xi'an Greenland Pico Int'l Convention and Exhibition Co. Ltd. *(Note b)* | The PRC | RMB125,000,000 | 30 | Management and leasing of exhibition halls including organising of exhibitions and events |

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

*Notes:*

a. This associate is registered in the PRC as co-operative liability companies.

b. This associate is a Sino-foreign equity joint venture.

# 49. Particulars of Principal Joint Venture

Details of the Group's principal joint venture as at October 31, 2021 is as follows:

| Name | Place of incorporation / registration / operation | Issued and fully paid share capital / registered capital | Attributable equitable interest of the Group % | Principal activities |
|---|---|---|---|---|
| Kenes MP Asia Pte Ltd. | Singapore | S$100,000 | 45 | Managing exhibitions and conferences in medical and scientific industries |

The above table lists the joint venture of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

The following is a list of the Group's principal investment properties as at October 31, 2021:

| Location | Lease term | Purpose | Gross area (square metre) |
|---|---|---|---|
| **Investment properties in Hong Kong** | | | |
| Workshops 11 and 12 on 10th Floor of Block B New Trade Plaza No. 6 On Ping Street Shatin, New Territories Hong Kong | Medium | Commercial | 287.72 |
| **Investment properties in the PRC** | | | |
| Unit No. 27F on Level 27 and Car Parking Space No. 59 on Level 2 of Block 2 Jinming Mansion No. 8 Zunyi South Road Hongqiao District, Shanghai, the PRC | Medium | Residential | 157.10 |
| Unit No. 11E on Level 11 and Car Parking Space No. 15 on Ground Floor of Block 2 Jinming Mansion No. 8 Zunyi South Road Hongqiao District, Shanghai, the PRC | Medium | Residential | 200.50 |
| Unit No. 11F on Level 11 and Car Parking Space No. 67 on Level 2 of Block 2 Jinming Mansion No. 8 Zunyi South Road Hongqiao District, Shanghai, the PRC | Medium | Residential | 157.10 |
| Unit D2-1701 on Level 17 Piaoliang Sunshine Square No. 68 Anli Road Chaoyang District Beijing, the PRC | Medium | Residential | 136.41 |
| Units D2-1702 on Level 17 Piaoliang Sunshine Square No. 68 Anli Road Chaoyang District Beijing, the PRC | Medium | Residential | 133.97 |

| Location | Lease term | Purpose | Gross area (square metre) |
|---|---|---|---|
| **Investment properties in PRC (Continued)** | | | |
| Unit 1214 on Level 12 of Block J Huiyuan Apartment No. 8 Beichen East Road Chaoyang District Beijing, the PRC | Medium | Residential | 107.92 |
| Units 1005 – 1009 on Level 10 Excellence Times Square No. 4068 Yitian Road Futian District Shenzhen Guangdong Province, the PRC | Medium | Commercial | 640.45 |
| Units 1013 to 1024 on Level 10 Poly Plaza Clover No. 406-2 Huasui Road Tianhe District Guangzhou City Guangdong Province, the PRC | Medium | Commercial | 1,188.04 |
| Factory Nos. 1 and 2 (registered as Block Nos. Nos. 4 and 5) and Levels 1 and 2 of the R&D Building at No. 99 in 4499 Nong of Cao'an Road Jiading District Shanghai, the PRC | Medium | Industrial | 22,975.39 |

## Honorary Chairman

Chia Siong Lim

## Board of Directors

### Executive directors

Lawrence Chia Song Huat *(Chairman)*
*(Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Jean Chia Yuan Jiun
Mok Pui Keung

### Independent non-executive directors

Gregory Robert Scott Crichton
*(Chairman of the Remuneration Committee and Member of the Audit Committee)*
James Patrick Cunningham
*(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*
Frank Lee Kee Wai
*(Member of the Audit Committee)*
Charlie Yucheng Shi
*(Chairman of the Audit Committee and Member of the Nomination Committee)*

## Company Secretary

Leung Hoi Yan (CPA, ACG, HKACG, FCA, FCCA)

## Auditor

RSM Hong Kong

## Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Citibank, N.A.
Development Bank of Singapore
OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
United Overseas Bank

## Corporate Office

Pico House
4 Dai Fu Street
Tai Po Industrial Estate
New Territories
Hong Kong

## Registered Office

Kirk House
P. O. Box 309
Grand Cayman
Cayman Islands
British West Indies

## Principal Share Registrars and Transfer Office

The R&H Trust Co Ltd
Windward 1
Regatta Office Park
P. O. Box 897
Grand Cayman KY1-1103
Cayman Islands

## Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
Suites 3301–04
33/F, Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

## Corporate Website

www.pico.com

## Corporate Calendar

| | |
|---|---|
| Annual General Meeting | March 25, 2022 |
| Payment of Final Dividend | April 14, 2022 |
| Announcement of Interim Results | June 2022 |
| Announcement of Final Results | January 2023 |

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are available for download at www.pico.com
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Enquiry 查詢：corp.info@pico.com


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