1. General

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 42 and 43 to the financial statements.

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Company has adopted, for the first time, the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 10 (Revised)	Accounting for investments in associates
SSAP 24	Accounting for investments in securities

SSAPs 1 and 2 (Revised) are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of these standards. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular:

– additional analyses of income and expenditure have been presented;

– items of income and expense that were separately identified on the face of the consolidated income statement as 'exceptional items' in the prior year have been reclassified within an appropriate income or cost classification; and

– amounts owing to and by subsidiaries and associates which had previously been presented together with the Company's investments in such enterprises have been reclassified as current assets and liabilities according to the nature of the transactions giving rise to the balances.

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards.

2. Adoption of Statements of Standard Accounting Practice (Cont'd)

Because of the adoption of SSAP 1 (Revised), the Group has decided to charge pre-operating expenses to the consolidated income statement as they are incurred. In prior years, pre-operating expenses were capitalised and amortised, using the straight line method, over a period of five years from the date of commencement of full commercial operations. The effect of the adoption of this new accounting policy, which has been applied retrospectively, has been to decrease the retained profits at November 1, 1998 by HK$4,296,000 and to increase the profit for the year ended October 31, 1999 by HK$1,399,000. Comparative information has been restated to reflect this change in accounting policy. Had the former policy of capitalisation and amortisation been continued in use, the Group's net profit for the year ended October 31, 2000 would have been reduced by HK$1,791,000.

SSAP 10 (Revised) has not resulted in any significant changes to the accounting treatment adopted for associates and accordingly no prior period adjustment has been required. Disclosures presented have been modified to meet the requirements of the new standard.

Under SSAP 24, investments in securities are now classified as held-to-maturity (carried at cost less provision for irrecoverable amounts), trading securities (carried at fair value, with valuation movements dealt with in the consolidated income statement) and other securities (carried at fair value, with valuation movements dealt with in equity). In prior years, the Group's investments were classified as long term (carried at cost less provision for permanent diminution in value). The accounting treatment specified by SSAP 24 has been applied retrospectively – resulting a decrease in the investment revaluation reserve as at November 1, 1998 by HK$785,000, a revaluation increase for the year ended October 31, 1999 of HK$127,000 and a revaluation decrease in the current year of HK$352,000. Comparative amounts have been restated in line with the revised accounting policy.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to October 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

3. Significant Accounting Policies (Cont'd)

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a business/subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a business/subsidiary over the purchase consideration is credited to reserves.

On disposal of a business/subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the business/subsidiary.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as described above for goodwill.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost as reduced by any decline in the value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Turnover

Turnover represents the contract sums received and receivable from contract work recognised on the percentage of completion method and the amounts receivable for services rendered during the year.

3. Significant Accounting Policies (Cont'd)

Revenue recognition

Revenue from short-term contracts is recognised on completion of the contracts and revenue from long-term contracts is recognised on a percentage of completion basis.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

Rental income, including rentals invoiced in advance from properties or assets held under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

3. Significant Accounting Policies (Cont'd)

Property, plant and equipment (Cont'd)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives from the date on which they are ready for their intended use, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	2% or over the terms of the relevant leases where less than 50 years
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% – $33^1/_3$%
Motor vehicles	20%
Operating supplies	20% – $33^1/_3$%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.

Properties under development

Properties under development for production, rental or administrative purposes or for purposes not yet determined, are stated at cost, less any provisions considered necessary by the directors. On completion, such assets are transferred to the appropriate specific category of property, plant and equipment. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Cost includes all direct costs incurred in relation to the development and borrowing costs capitalised in accordance with the Group's accounting policy.

3. Significant Accounting Policies (Cont'd)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents 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 work in progress

Short-term contract work in progress is stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the short-term contract work in progress to its present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price or anticipated gross billings in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Long-term contract work in progress is stated at cost incurred to date, plus estimated attributable profits, less any foreseeable losses and progress payments received and receivable. Cost comprises, direct materials, direct labour cost, costs of sub-contractors and those production overheads that have been incurred in bringing the long-term work in progress to its present location and condition. Estimated attributable profits are recognised based upon the stage of completion when a profitable outcome can prudently be foreseen. Anticipated losses are fully provided for on contracts when they are identified.

3. Significant Accounting Policies (Cont'd)

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. Capitalisation of such borrowing costs ceases when 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 capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leased assets and assets held under hire purchase contracts

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the respective dates of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as a finance lease or hire purchase obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement as finance charges on an actuarial basis over the period of the relevant leases and contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Operating leases

The rentals payable are charged to the income statement on a straight line basis over the relevant lease terms.

Foreign currencies

Transactions in foreign currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates which are denominated in currencies other than the Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

3. Significant Accounting Policies (Cont'd)

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the dates of the advances.

Retirement benefits scheme

The amount of the contributions payable to the Group's defined contribution retirement benefits scheme is charged to the income statement.

4. Turnover and Contributions to Profit from Operations

The turnover and contribution to profit from operations of the Group for the year ended October 31, 2000, analysed by principal activity and geographical area, are as follows:

	Turnover		Contribution to profit (loss) from operations	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Exhibition and exhibition related business	**1,018,828**	915,681	**48,355**	29,553
Museum interior fit-outs	**150,458**	53,866	**11,820**	940
Sales of goods	**27,983**	28,218	**3,950**	2,237
Other activities	**24,454**	19,991	**5,383**	(4,337)
	1,221,723	1,017,756	**69,508**	28,393
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical area:				
Greater China	**540,997**	375,354	**32,377**	824
Singapore	**341,354**	223,680	**7,740**	19,933
Japan	**67,619**	58,501	**3,497**	11,128
Malaysia	**53,087**	40,072	**7,276**	311
Thailand	**47,048**	24,742	**4,351**	3,360
The Middle East	**44,776**	55,597	**1,553**	(4,714)
America	**40,890**	37,095	**3,714**	(904)
Switzerland	**–**	77,053	**15**	(5,636)
Germany	**–**	37,511	**(964)**	(1,464)
Others	**85,952**	88,151	**9,949**	5,555
	1,221,723	1,017,756	**69,508**	28,393

5. Other Revenue

	2000	1999
	HK$'000	HK$'000
Included in other revenue are:		
Gain on disposal of property, plant and equipment	**–**	498
Interest income	**3,238**	4,651
Rental income, net of outgoings	**11,044**	11,590

The gross rental income from investment properties for the years of 2000 and 1999 amounted to approximately HK$1,948,000 and HK$2,978,000 respectively.

6. Profit from Operations

	2000	1999
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**3,038**	2,293
Depreciation and amortisation:		
Assets owned by the Group	**45,681**	40,709
Assets held under finance leases and hire purchase contracts	**204**	5,756
	45,885	46,465
Loss on disposal of property, plant and equipment	**1,281**	–
Revaluation deficit of investment properties	**5,073**	5,617
Operating lease rentals in respect of:		
Office premises and staff quarters	**8,206**	4,735
Equipment	**2,980**	813
Provision for project loan receivable and bad and doubtful debts	**1,724**	9,593
Staff costs:		
Directors' emoluments		
Fees	**1,040**	1,003
Other emoluments including benefits in kind (Note)	**9,615**	12,014
	10,655	13,017
Other staff costs		
Salaries and other allowances	**213,124**	177,399
Retirement benefit scheme contributions net of forfeited contribution of approximately HK$761,000 (1999: HK$494,000)	**11,373**	2,026
Total staff costs	**235,152**	192,442

6. Profit from Operations (Cont'd)

Note: An amount of approximately HK$1,116,000 (1999: HK$1,192,000) of operating lease rentals in respect of rented premises had been included as part of directors' emoluments. In addition to staff costs disclosed above, the estimated rental value for rent-free accommodation provided to a director was HK$849,000 (1999: HK$829,000).

7. Finance Costs

	2000	1999
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**9,184**	11,656
Bank borrowings not wholly repayable within five years	**4,474**	5,042
Other borrowings	**–**	687
	13,658	17,385
Finance charges in respect of finance leases and hire purchase contracts	**841**	984
Total borrowing costs	**14,499**	18,369

8. Net Gain (Loss) on Subsidiaries/Associates

	2000	1999
	HK$'000	HK$'000
Provision for amounts due from associates	**(7,363)**	(715)
Gain on deemed disposal of certain interests in subsidiaries	**6,444**	–
Gain on disposal of a subsidiary	**921**	–
Loss on disposal of subsidiaries	**–**	(4,618)
	2	(5,333)