

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended April 30, 2001

1. ACCOUNTING POLICIES

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

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after July 1, 2000. Such departures from SSAP25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies adopted are consistent with those adopted in the Group’s annual financial statements for the year ended October 31, 2000.

2. SEGMENTAL INFORMATION

The turnover and contribution to profit from operations of the Group for the period ended April 30, 2001, analysed by principal activity and geographical area, are as follows:

	Turnover		Contribution to profit (loss) from operations	
	For the six months ended April 30,		For the six months ended April 30,	
	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Exhibition and exhibition related business	501,168	450,043	16,430	13,602
Museum interior fit-outs	119,789	105,090	10,307	7,695
Sales of goods	14,783	11,504	2,191	328
Other activities	8,146	6,711	(1,139)	159
	<u>643,886</u>	<u>573,348</u>	<u>27,789</u>	<u>21,784</u>

2. SEGMENTAL INFORMATION (Cont'd)

	Turnover		Contribution to profit (loss) from operations	
	For the six months ended April 30,		For the six months ended April 30,	
	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
Greater China	305,490	263,333	10,364	12,265
Singapore	156,155	155,852	9,102	8,858
Japan	44,906	20,952	5,343	193
Malaysia	24,691	29,692	1,753	1,020
Thailand	24,830	25,773	3,592	3,100
The Middle East	27,302	21,471	2,351	60
America	21,287	20,842	(181)	1,593
Others	39,225	35,433	(4,535)	(5,305)
	<u>643,886</u>	<u>573,348</u>	<u>27,789</u>	<u>21,784</u>
	<u><u>643,886</u></u>	<u><u>573,348</u></u>	<u><u>27,789</u></u>	<u><u>21,784</u></u>

3. DEPRECIATION

During the period, depreciation of approximately HK\$21,386,000 (1.11.1999 to 30.4.2000: HK\$22,689,000) was charged in respect of the Group's property, plant and equipment.

4. FINANCE COSTS

	For the six months ended April 30,	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,418	4,810
Bank borrowings not wholly repayable within five years	1,350	2,328
	<u>4,768</u>	<u>7,138</u>
Finance charges in respect of finance leases and hire purchase contracts	309	405
	<u>5,077</u>	<u>7,543</u>
Total borrowing costs	<u><u>5,077</u></u>	<u><u>7,543</u></u>

5. TAXATION

	For the six months ended April 30,	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Profits Tax for the period		
Hong Kong	1,320	1,053
Overseas	2,055	1,159
Underprovision in prior periods		
Overseas	11	—
	<u>3,386</u>	<u>2,212</u>

Hong Kong Profits Tax is calculated at 16% (1.11.1999 to 30.4.2000: 16%) on the estimated assessable profit for the period. A portion of the Group's profit is derived offshore and is not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have any significant unprovided deferred taxation for the period.

6. EARNINGS PER SHARE

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

	For the six months ended April 30,	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>20,843</u>	<u>12,117</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	495,957,252	495,957,252
Effect of dilutive potential ordinary shares in respect of options	<u>546,195</u>	<u>717,442</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>496,503,447</u>	<u>496,674,694</u>

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$9,925,000 (year ended 31.10.2000: approximately HK\$26,427,000).

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 to 90 days to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of HK\$205,477,000 (year ended 31.10.2000: 356,678,000), an ageing analysis of which at the reporting date is as follows:

	April 30, 2001 Unaudited HK\$'000	October 31, 2000 Audited HK\$'000
0 — 90 days	166,264	283,171
91 — 180 days	25,842	52,085
Over 181 days	13,371	21,422
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	205,477	356,678
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9. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$111,866,000 (year ended 31.10.2000: HK\$142,276,000), an ageing analysis of which at the reporting date is as follows:

	April 30, 2001 Unaudited HK\$'000	October 31, 2000 Audited HK\$'000
0 — 90 days	86,961	113,179
91 — 180 days	11,294	21,601
Over 181 days	13,611	7,496
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	111,866	142,276
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10. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2001 Unaudited	October 31, 2000 Audited	April 30, 2001 Unaudited HK\$'000	October 31, 2000 Audited HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of the period/year	600,000,000	600,000,000	60,000	60,000
Issued and fully paid:				
At beginning and end of the period/year	495,957,252	495,957,252	49,596	49,596

11. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on September 4, 1992, the directors of the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company, subject to a maximum of 10 per cent of the issued share capital of the Company from time to time.

A summary of the movements of share options during the period is as follows:

Date of grant	Exercisable period	Consideration	Exercise price HK\$	At November 1, 2000	Share option granted during the period	At April 30, 2001
March 14, 1997	September 14, 1997 to March 13, 2002	Nil	3.428	18,734,000	–	18,734,000
December 17, 1999	May 17, 2000 to December 17, 2004 (Note 1)	Nil	0.63	4,808,000	–	4,808,000
December 17, 2000	May 17, 2001 to December 17, 2005 (Note 2)	Nil	0.49	–	6,903,800	6,903,800

11. SHARE OPTION SCHEME (Cont'd)

Notes:

- (1) The options will be vested in four equal tranches on December 17, 1999, 2000, 2001 and 2002.

The first tranche vested on December 17, 1999 will be exercisable after six months on May 17, 2000 and up to December 17, 2004.

The second, third and fourth tranches will be exercisable when vested and exercisable up to December 17, 2004.

No share options have been exercised during the period.

- (2) The options will be vested in four equal tranches on December 17, 2000, 2001, 2002 and 2003.

The first tranche vested on December 17, 2000 will be exercisable after six months on May 17, 2001 and up to December 17, 2005.

The second, third and fourth tranches will be exercisable when vested and exercisable up to December 17, 2005.

No share options have been exercised during the period.

12. RESERVES

	Capital		Investment			Legal Translation		Retained	
	Share redemption	reserve	Capital revaluation	reserve	Goodwill	reserve	reserve	profits	Total
	premium		reserve		reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
At November 1, 2000									
(audited)	584,657	247	(11,998)	(1,010)	(383,069)	838	(50,103)	217,729	357,291
Valuation decrease on									
other securities	-	-	-	(184)	-	-	-	-	(184)
Exchange difference									
arising on translation									
of financial									
statements of									
overseas operations	-	-	-	-	-	-	(5,493)	-	(5,493)
Net profit for the period	-	-	-	-	-	-	-	20,843	20,843
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At April 30, 2001									
(unaudited)	584,657	247	(11,998)	(1,194)	(383,069)	838	(55,596)	238,572	372,457
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13. PLEDGE OF ASSETS

At April 30, 2001, the Group has pledged bank deposits of approximately HK\$19 million (year ended 31.10.2000: HK\$ 20 million), land and buildings and investment properties with aggregate net book values of approximately HK\$217 million (year ended 31.10.2000: HK\$224 million) and HK\$48 million (year ended 31.10.2000: HK\$48 million), respectively, as collaterals for credit facilities granted to the Group by certain banks. The pledged bank deposits are applied to secure the short-term bank borrowings.

14. CONTINGENT LIABILITIES

- a. During the period under review, an employee of a subcontractor's company instigated a new civil proceeding against Pico Hong Kong Limited, which is our wholly owned subsidiary, as a second defendant for alleged personal injuries and future loss of earnings suffered during work in 1997 and for which he had been compensated under the subcontractor's workmen compensation insurance scheme. Total amount claimed by this person against the subcontractor's company in the new civil proceeding as a First Defendant and Pico Hong Kong Limited as a Second Defendant is HK\$4.6 million.

Since the above claims fully covered by our workmen compensation insurance, no provision has been made in these financial statements as the Directors do not consider that there will be any probable loss.

- b. The Group has issued guarantees of approximately HK\$6 million (year ended 31.10.2000: HK\$6 million) to bankers to secure general banking facilities granted to an investee company and an associate of which approximately HK\$1.9 million was utilised at April 30, 2001. (year ended 31.10.2000: HK\$2.8 million). These guarantees are proportional to the Group's shareholdings in the respective companies.

15. RELATED PARTY TRANSACTIONS

	Exhibition income		Subcontracting fee		Receivable		Payable	
	For the six months ended April 30		For the six months ended April 30		April 30, October 31,		April 30, October 31,	
	2001	2000	2001	2000	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates (<i>Note 1</i>)	–	–	3,500	–	1,935	2,027	2,042	309
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Related companies (<i>Note 2</i>)	730	–	473	–	532	10,842	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

- (1) All transactions with associates were carried out at cost plus a percentage of mark-up.
- (2) These related companies are owned by a relative of an executive director of the Company who is deemed to be a connected person to the Company in accordance to Listing Rules.