

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended April 30, 2002

1. BASIS OF PREPARATION AND PRINCIPAL 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 statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to 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 followed in the preparation of the Group’s annual financial statements for the year ended October 31, 2001 except as described below.

The Group has adopted a number of new or revised SSAPs for the first time in the period:

- SSAP 9 (revised) : “Events after the balance sheet date”
- SSAP 26 : “Segment reporting”
- SSAP 30 : “Business combinations”
- SSAP 31 : “Impairment of assets”

These SSAP’s prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies of adopting these SSAPs, are summarised as follows:

SSAP 9 (revised) prescribes the accounting treatment for events after balance sheet date. In accordance with the SSAP, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

The retained earnings of the Group as at November 1, 2000 and 2001 have respectively increased by HK\$17,359,000 and HK\$16,364,000, being the reversal of the provision of the proposed final dividend for the respective year which were previously recorded as a liability on the balance sheet date (Note 13). The effect of this change would increase the Group’s net assets by these amounts at those dates.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

SSAP 26 prescribes the principles to be applied for financial information by segment. In Note 2 to these unaudited condensed consolidated financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format. Comparative figures of segment disclosures have been changed to conform with the current period's presentation.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The transitional provisions set out in paragraph 88 of SSAP 30 have been adopted by the Group for goodwill/negative goodwill arose from acquisitions prior to November 1, 2001, the date when the SSAP was first adopted by the Group, which had been previously eliminated against/taken to reserves and had not been retrospectively restated under the SSAP. On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised or negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate.

In accordance with paragraph 88 of SSAP 30, the Group is required to estimate any impairment loss that arose on goodwill, which was previously eliminated against reserves, in accordance with the requirements of SSAP 31 since the date of acquisition of the subsidiaries and associates. Implementation of this policy is treated as a change in accounting policies in accordance with SSAP 2.

The Group has performed an assessment of the fair values of its goodwill eliminated against reserves prior to November 1, 2001. As a result, the Group has recognised no impairment of goodwill previously eliminated against reserves.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets; and has had no effect on amounts previously reported in prior year financial statements.

2. TURNOVER AND SEGMENT INFORMATION

(a) An analysis of the Group's turnover and results for the six months period ended April 30, 2002 and 2001, by geographical segments, are as follows:

	Turnover		Segment results	
	For the six months ended April 30,		For the six months ended April 30,	
	2002	2001	2002	2001
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
China	77,123	78,102	6,376	4,097
Taiwan	19,101	10,011	1,601	(722)
Hong Kong	135,392	217,377	(2,890)	13,709
Singapore	108,215	156,155	(1,130)	8,591
Malaysia	33,482	24,691	2,385	1,753
Thailand	32,661	24,830	4,802	3,592
The Middle East	24,232	27,302	16	2,351
Japan	20,417	44,906	827	5,343
America	17,318	21,287	1,182	(181)
Others	22,101	39,225	(835)	(4,571)
	<u>490,042</u>	<u>643,886</u>	<u>12,334</u>	<u>33,962</u>
Interest income			885	2,160
Unallocated cost			(6,325)	(8,333)
Profit from operations			<u>6,894</u>	<u>27,789</u>

2. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(b) An analysis of the Group's turnover and results for the six months period ended April 30, 2002 and 2001, by principal activities, are as follows:

	Turnover		Segment results	
	For the six months ended April 30,		For the six months ended April 30,	
	2002	2001	2002	2001
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Exhibition	402,848	501,168	17,751	23,079
Museum interior fit-outs	49,803	119,789	(2,451)	10,287
Sales of goods	17,228	14,784	2,209	2,127
Exhibition and conference organiser	15,257	—	(614)	—
Internet services	3,561	4,035	(2,001)	(3,103)
Other activities	1,345	4,110	(2,560)	1,572
	<u>490,042</u>	<u>643,886</u>	<u>12,334</u>	<u>33,962</u>
Interest income			885	2,160
Unallocated cost			(6,325)	(8,333)
Profit from operations			<u>6,894</u>	<u>27,789</u>

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	For the six months ended April 30,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation and amortisation:		
Assets owned by the Group	16,003	20,311
Assets held under finance lease and hire purchase contracts	2,581	1,075
	18,584	21,386
Loss on disposal of property, plant and equipment	1,020	309
and after crediting		
Unrealised gain on trading securities	(101)	—

4. FINANCE COSTS

	For the six months ended April 30,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,023	3,418
Bank borrowings not wholly repayable within five years	432	1,350
	<u>2,455</u>	<u>4,768</u>
Finance charges in respect of finance leases and hire purchase contracts	266	309
	<u>2,721</u>	<u>5,077</u>

5. TAXATION

	For the six months ended April 30,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Profits Tax for the period		
Hong Kong	60	1,320
Overseas	1,356	2,055
(Over) underprovision in prior periods		
Overseas	(129)	11
	<u>1,287</u>	<u>3,386</u>
Share of tax on results of associates	648	—
	<u>1,935</u>	<u>3,386</u>

Hong Kong Profits Tax is calculated at 16% (1.11.2000 to 30.4.2001: 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,	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>1,010</u>	<u>20,843</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	545,457,252	495,957,252
Effect of dilutive potential ordinary shares in respect of options	<u>431,118</u>	<u>546,195</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>545,888,370</u>	<u>496,503,447</u>

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$6,477,000 (year ended 31.10.2001: HK\$23,641,000).

8. GOODWILL

- (a) At April 26, 2002, a goodwill of approximately HK\$2,860,000 was accounted for on the acquisition by the Group of a 70% of equity interest in Architectural Concepts Inc., ("ACI") and is amortized over 20 years in accordance with SSAP 30. At the date of report, 90% of purchase consideration had been paid and the balance 10% of approximately HK\$965,000 will be paid provided that its audited net tangible asset as at April 30, 2002 is not less than US\$1 million.

Furthermore, according to the Acquisition Agreement, there is a Purchase Price Balance adjustment based on the full year result of ACI ending on December 31, 2002. The maximum amount payable under this adjustment formula is HK\$5,363,000 and the minimum is HK\$2,303,000.

Therefore, the goodwill may be adjusted upwards to not more than HK\$8,223,000 at the year ended October 31, 2002, which depends on the result of the Completion Audit of ACI for the period ended April 30, 2002 and the result of ACI for the year ended December 31, 2002.

At the date of the report, the results as mentioned above are still unknown. For details please refer to the following Note 16a.

- (b) During the period, goodwill of approximately HK\$194,000 arose on the acquisition of certain subsidiaries and is amortized over 20 years, reflecting its expected useful life.

9. INVESTMENTS IN SECURITIES

	April 30, 2002 Unaudited HK\$'000	October 31, 2001 Audited HK\$'000
Club debentures	5,686	5,714
Other securities, unlisted (<i>Note</i>)	398	393
Other securities, listed in Hong Kong	190	214
	<u>6,274</u>	<u>6,321</u>
Market value of listed other securities	<u>190</u>	<u>214</u>

Note: The directors are of the opinion that they are worth at least their respective carrying values.

10. 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 approximately HK\$212,566,000 (year ended 31.10.2001: HK\$254,265,000), an ageing analysis of which at the reporting date is as follows:

	April 30, 2002 Unaudited HK\$'000	October 31, 2001 Audited HK\$'000
0 - 90 days	159,066	213,712
91 - 180 days	19,274	16,048
Over 181 days	34,226	24,505
	<u>212,566</u>	<u>254,265</u>

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$101,664,000 (year ended 31.10.2001: HK\$173,970,000), an ageing analysis of which at the reporting date is as follows:

	April 30, 2002 Unaudited HK\$'000	October 31, 2001 Audited HK\$'000
0 - 90 days	67,151	134,289
91 - 180 days	15,156	26,774
Over 181 days	19,357	12,907
	101,664	173,970

12. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2002 Unaudited	October 31, 2001 Audited	April 30, 2002 Unaudited HK\$'000	October 31, 2001 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
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Issued and fully paid:

At beginning of the period/year	545,457,252	495,957,252	54,546	49,596
Share issued on acquisition of subsidiaries	—	49,500,000	—	4,950
At end of the period/year	545,457,252	545,457,252	54,546	54,546

13. RESERVES

	Share premium	Capital redemption reserve	Capital reserve	Investment revaluation reserve	Goodwill reserve	Legal reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
At November 1, 2000 as									
- previously reported	584,657	247	(11,998)	(1,010)	(383,069)	838	(50,103)	217,729	357,291
- effect of adopting SSAP 9 (revised)	—	—	—	—	—	—	—	17,359	17,359
As restated	584,657	247	(11,998)	(1,010)	(383,069)	838	(50,103)	235,088	374,650
Shares issued at premium	13,860	—	—	—	—	—	—	—	13,860
Valuation decrease on other securities	—	—	—	(305)	—	—	—	—	(305)
Goodwill on acquisition of subsidiaries	—	—	—	—	(28,916)	—	—	—	(28,916)
Negative goodwill released on disposal of an associate	—	—	—	—	(39)	—	—	—	(39)
Exchange difference arising on translation of financial statements of overseas operations	—	—	—	—	—	—	(5,700)	—	(5,700)
Transfer	—	—	—	—	—	217	10	(227)	—
Net profit for the period	—	—	—	—	—	—	—	31,193	31,193
2000 final dividend paid	—	—	—	—	—	—	—	(17,359)	(17,359)
At October 31, 2001 before proposed dividend	598,517	247	(11,998)	(1,315)	(412,024)	1,055	(55,793)	248,695	367,384
Valuation decrease on other securities	—	—	—	(23)	—	—	—	—	(23)
Acquisition of subsidiaries	—	—	—	—	—	1	—	—	1
Exchange difference arising on translation of financial statements of overseas operations	—	—	—	—	—	—	1,510	—	1,510
Net profit for the period	—	—	—	—	—	—	—	1,010	1,010
2001 final dividend paid	—	—	—	—	—	—	—	(16,364)	(16,364)
At April 30, 2002 (unaudited)	<u>598,517</u>	<u>247</u>	<u>(11,998)</u>	<u>(1,338)</u>	<u>(412,024)</u>	<u>1,056</u>	<u>(54,283)</u>	<u>233,341</u>	<u>353,518</u>

14. PLEDGE OF ASSETS

At April 30, 2002, the Group has pledged bank deposits of approximately HK\$19 million (year ended 31.10.2001: HK\$17 million), land and buildings and investment properties with aggregate net book values of approximately HK\$229 million (year ended 31.10.2001: HK\$238 million) and HK\$16 million (year ended 31.10.2001: HK\$25 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.

15. COMMITMENTS

(a) Operating Lease Commitments

At April 30, 2002 the Group had the outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follow:

	April 30, 2002	October 31, 2001
	Unaudited	Audited
	HK\$'000	HK\$'000
Within one year	7,564	6,375
In the second to fifth year inclusive	13,270	16,679
Over five years	106,193	130,257
	127,027	153,311

(b) Capital Commitments

At the date of report, the Group did not have significant capital commitments (year ended 31.10.2001: Nil).

16. CONTINGENT LIABILITIES

- (a) On April 26, 2002, the Group entered in to an Agreement to acquire 70% of Architectural Concepts Inc. (“ACI”), an Atlanta exhibition company for HK\$9,652,500 of which 90% has been paid. The balance 10% has been held in escrow pending the results of the Completion Audit on the Net Tangible Assets of ACI as at April 30, 2002. Furthermore, according to the Acquisition Agreement, there is a Purchase Price Balance adjustment based on the full year result of ACI ending on December 31, 2002. The maximum amount payable under this adjustment formula is HK\$5,363,000 and the minimum is HK\$2,303,000. At the date of this report, the result of the Completion Audit and the full year result of ACI are still unknown.
- (b) As mentioned in the Note 40(i) of 2001 Annual Report, the civil proceeding brought against Pico Hong Kong Limited by an employee of a subcontractor’s company of HK\$4.6 million was still in progress in the period under review.

Since the above claims is 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.

- (c) The Group has issued guarantees of approximately HK\$22 million (year ended 31.10.2001: HK\$22 million) to bankers to secure general banking facilities granted to an investee company and an associate of which approximately HK\$11 million was utilised at April 30, 2002 (year ended 31.10.2001: HK\$11 million). These guarantees are proportional to the Group’s shareholdings in the respective companies.

17. ACQUISITION OF SIGNIFICANT SUBSIDIARY

On April 26, 2002, the Group acquired 70% equity interest in ACI at cash consideration of approximately HK\$9,653,000.

The following summaries the effect of the acquisition:

	<i>HK\$'000</i>
Net assets acquired	9,704
Goodwill arising on acquisition (<i>Note</i>)	2,860
Minority interests	(2,911)
	<u>9,653</u>
Satisfied by	
Cash consideration paid	<u>9,653</u>

Note: Goodwill may be increased subject to the Completion Audit as at April 30, 2002 and the 2002 result of ACI, for details please refer to Note 8 and Note 16a.

18. 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,	
	2002	2001	2002	2001	2002	2001	2002	2001
	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>)	—	—	1,696	3,500	4,531	6,161	1,065	2,543
Related companies (<i>Note 2</i>)	—	730	—	473	—	—	478	462

Notes:

- (1) All transactions with associates were carried out at cost plus a percentage of mark-up.
- (2) One of the directors, also a beneficial owner, of these related companies, who is not an employee or a director or a shareholder of the Company, is related to one of the directors of the Company.