

Pico Far East Holdings Limited

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

Interim Report 2022



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UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Pico Far East Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended April 30, 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended April 30, 2022

	Note	For the six months ended April 30,	
		2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Revenue	3	2,344,692	1,875,768
Cost of sales		(1,703,541)	(1,339,421)
Gross profit		641,151	536,347
Other income		45,074	79,658
Distribution costs		(291,262)	(287,611)
Administrative expenses		(276,297)	(229,737)
Impairment losses for trade and other debtors, and contract assets		(7,977)	(4,732)
Other operating expenses		(29,958)	(1,838)
Profit from core operations		80,731	92,087
Change in remeasurement of contingent consideration		33,455	(1,299)
Amortisation of other intangible assets arising from business combinations		(19,927)	(19,793)
Profit from operations		94,259	70,995
Finance costs	4	(8,681)	(9,653)
Share of losses of associates		85,578	61,342
Share of losses of joint ventures		(4,038)	(10,064)
		(1)	–
Profit before tax		81,539	51,278
Income tax expense	5	(14,385)	(7,411)
Profit for the period	6	67,154	43,867
Attributable to:			
Owners of the Company		68,905	57,523
Non-controlling interests		(1,751)	(13,656)
		67,154	43,867
EARNINGS PER SHARE	8		
Basic		5.56 cents	4.65 cents
Diluted		5.56 cents	4.65 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended April 30, 2022

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	67,154	43,867
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on transfer of property, plant and equipment to investment properties	–	33,375
	–	33,375
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(27,786)	50,808
Share of other comprehensive (expense) income of associates	(3,381)	1,206
Exchange differences reclassified to profit or loss on dissolution of subsidiaries	54	29
Cash flow hedges		
Net movement in hedging reserves	–	7,230
	(31,113)	59,273
Other comprehensive (expense) income for the period, net of tax	(31,113)	92,648
Total comprehensive income for the period	36,041	136,515
Attributable to:		
Owners of the Company	37,837	150,024
Non-controlling interests	(1,796)	(13,509)
	36,041	136,515

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At April 30, 2022

	<i>Note</i>	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Non-current Assets			
Investment properties		283,978	289,105
Property, plant and equipment	9	587,278	607,597
Right-of-use assets	9	210,726	223,839
Intangible assets	9	509,631	539,605
Interests in associates		100,780	105,548
Interests in joint ventures		15,813	–
Financial assets at fair value through other comprehensive income ("FVTOCI")	10	19,521	11,881
Deferred tax assets		4,505	4,178
Loan due from an associate		8,421	8,572
		1,740,653	1,790,325
Current Assets			
Inventories		26,795	24,393
Contract assets		808,356	952,799
Financial assets at fair value through profit or loss ("FVTPL")		21,255	24,778
Derivative financial assets	11	6,137	10,295
Debtors, deposits and prepayments	12	1,139,856	1,077,232
Amounts due from associates		14,409	17,338
Amounts due from joint ventures		1	407
Current tax assets		4,184	5,027
Pledged bank deposits		7,117	3,676
Bank and cash balances		1,305,796	1,479,571
		3,333,906	3,595,516
Current Liabilities			
Contract liabilities		225,084	205,118
Creditors and accrued charges	13	1,592,210	1,846,493
Amounts due to associates		3,885	1,892
Amounts due to joint ventures		344	1,022
Current tax liabilities		20,836	20,560
Borrowings		431,218	337,091
Lease liabilities		17,847	20,359
Contingent consideration	14	–	33,300
		2,291,424	2,465,835
Net Current Assets		1,042,482	1,129,681
Total Assets Less Current Liabilities		2,783,135	2,920,006

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

At April 30, 2022

	<i>Note</i>	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Non-current Liabilities			
Borrowings		300,738	391,971
Lease liabilities		119,923	127,089
Deferred tax liabilities		81,695	81,478
		502,356	600,538
NET ASSETS		2,280,779	2,319,468
Capital and Reserves			
Share capital	15	61,913	61,910
Reserves		2,101,895	2,125,748
Equity attributable to owners of the Company		2,163,808	2,187,658
Non-controlling interests		116,971	131,810
TOTAL EQUITY		2,280,779	2,319,468

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended April 30, 2022

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Equity- settled share- based payment reserve HK\$'000	Goodwill reserve HK\$'000	Legal reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at FV/OCI reserve HK\$'000		Non- controlling interests HK\$'000	Total equity HK\$'000		
									Translation reserve HK\$'000	Retained earnings HK\$'000			Total HK\$'000	
At November 1, 2021 (Audited)	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
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	68,905	37,837	(1,796)	36,041
Shares issued at premium	3	45	-	-	-	-	-	-	-	(31,068)	-	48	-	48
Exercise of equity-settled share-based payments	-	7	-	-	(7)	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	178	-	-	-	-	-	-	178	-	178
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(12,973)	(12,973)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(70)	(70)
2021 final dividend	-	-	-	-	-	-	-	-	-	-	(61,913)	(61,913)	-	(61,913)
At April 30, 2022 (Unaudited)	61,913	777,178	854	(11,702)	3,458	(419,083)	33,384	60,796	(6,373)	50,816	1,612,567	2,163,808	116,971	2,280,779

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

For the six months ended April 30, 2021

	Attributable to owners of the Company														
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Equity- settled share- based payment reserve HK\$'000	Goodwill reserve HK\$'000	Legal reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Cash flow hedging reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At November 1, 2020 (Audited)	61,901	776,655	854	(11,702)	2,726	(419,083)	30,403	3,740	(6,597)	(7,230)	23,706	1,502,601	1,957,974	139,539	2,097,513
Total comprehensive income for the period	-	-	-	-	-	-	-	33,375	-	7,230	51,896	57,523	150,024	(13,509)	136,515
Shares issued at premium	7	135	-	-	-	-	-	-	-	-	-	-	142	-	142
Exercise of equity-settled share-based payments	-	20	-	-	(20)	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	459	-	-	-	-	-	-	-	459	-	459
Transfer	-	169	-	-	(169)	-	2,800	-	-	-	-	(2,800)	-	-	-
2020 final dividend	-	-	-	-	-	-	-	-	-	-	-	(30,954)	(30,954)	-	(30,954)
At April 30, 2021 (Unaudited)	61,908	776,979	854	(11,702)	2,996	(419,083)	33,203	37,115	(6,597)	-	75,602	1,526,370	2,077,645	126,030	2,203,675

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended April 30, 2022

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash used in operating activities	(14,305)	(101,930)
Net cash used in investing activities	(94,099)	(2,477)
Net cash used in financing activities	(81,819)	(29,479)
Net decrease in cash and cash equivalents	(190,223)	(133,886)
Cash and cash equivalents at beginning of the period	1,451,920	1,293,928
Effect of foreign exchange rate changes	(5,742)	24,517
Cash and cash equivalents at end of the period	1,255,955	1,184,559

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bank and cash balances	1,255,955	1,184,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended April 30, 2022

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial instruments which are carried at their fair values.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2021 audited consolidated annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the consolidated annual financial statements for the year ended October 31, 2021.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended October 31, 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on November 1, 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after November 1, 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

2. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

2. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At April 30, 2022				
Recurring fair value measurements:				
Financial assets				
Derivatives				
Derivatives financial assets	–	–	6,137	6,137
Financial assets at FVTOCI				
Equity securities, at fair value, unlisted	–	–	19,521	19,521
Financial assets at FVTPL				
Equity securities, at fair value, listed	185	–	–	185
Fund investment, at fair value	–	21,070	–	21,070
	185	21,070	25,658	46,913
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
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration	–	–	33,300	33,300
	–	–	33,300	33,300

2. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

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

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at April 30, 2022

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

At April 30, 2022, the fair value of the derivative financial assets was estimated by management using Black-Scholes option pricing model that are estimated based on the terms of the shares sale and purchase agreement and the entity's knowledge of the business and how the current economic environment is likely to impact it.

At April 30, 2022, the financial assets at FVTOCI are comprised of investments not traded in an active market. The fair value thereof was estimated by management using discounted cash flow method and latest transaction price.

At April 30, 2022, 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.

At April 30, 2022, the fair value of listed equity securities was determined based on the quoted market closing price available on the relevant exchange in an active market.

At April 30, 2022, the amount of contingent consideration was estimated by management based on the expected cash inflows that are estimated based on the terms of the membership interest purchase agreement and the entity's knowledge of the business and how the current economic environment is likely to impact it.

2. FAIR VALUE MEASUREMENTS (CONT'D)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at April 30, 2022 (Cont'd)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value	
					April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
					Assets/(Liabilities)	
Derivative financial assets	Black-Scholes option pricing model - income approach	Discount rate	13.00% (October 31, 2021: 12.70%)	Decrease	6,137	10,295
		Growth rate	4.00% (October 31, 2021: 4.00%)	Increase		
Equity securities, at fair value, unlisted	Discounted cash flow	Discount rate	18.00% (October 31, 2021: 18.00%)	Decrease	4,091	4,091
		Discount of lack of marketability	20.60% (October 31, 2021: 20.60%)	Decrease		
		Discount rate for lack of control	10.98% (October 31, 2021: 10.98%)	Decrease		
Equity securities, at fair value, unlisted	Latest transaction price	Latest transaction price	Not applicable	Not applicable	15,430	7,790
Contingent consideration	Income approach	Discount rate	Nil (October 31, 2021: 16.00%)	Decrease	-	(33,300)
		Probability - adjusted EBITDA	Nil (October 31, 2021: US\$749,000)	Increase		

There were no changes in the valuation techniques used.

3. REVENUE AND SEGMENT INFORMATION

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

- Exhibition, event and brand activation;
- Visual branding activation;
- Museum and themed entertainment; and
- Meeting architecture activation.

The Group's main operations and revenue streams are those described in the last consolidated annual financial statements. The Group's revenue is derived from contracts with customers.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 3(b) and 3(d) to the condensed consolidated interim financial statements.

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

	Exhibition, event and brand activation Unaudited HK\$'000	Visual branding activation Unaudited HK\$'000	Museum and themed entertainment Unaudited HK\$'000	Meeting architecture activation Unaudited HK\$'000	Total Unaudited HK\$'000
For the six months ended April 30, 2022					
Revenue from external customers	1,913,451	193,459	210,050	27,732	2,344,692
Timing of revenue recognition					
At a point in time	1,901,746	182,027	98,629	27,732	2,210,134
Over time	11,705	11,432	111,421	–	134,558
Inter-segment revenue	76,089	17,983	4,704	–	98,776
Segment profits (losses)	72,862	12,910	15,023	(5,479)	95,316
Share of losses of associates	(684)	–	–	(3,354)	(4,038)
Share of losses of joint ventures	–	–	(1)	–	(1)
Interest income	1,573	234	269	10	2,086
Interest expenses	7,872	552	253	4	8,681
For the six months ended April 30, 2021					
Revenue from external customers	1,430,128	200,179	228,287	17,174	1,875,768
Timing of revenue recognition					
At a point in time	1,390,617	149,943	71,816	17,174	1,629,550
Over time	39,511	50,236	156,471	–	246,218
Inter-segment revenue	100,143	16,650	13,769	–	130,562
Segment profits	64,319	15,050	17,584	1,594	98,547
Share of losses of associates	(7,106)	–	–	(2,958)	(10,064)
Interest income	2,171	353	563	1	3,088
Interest expenses	9,435	19	194	5	9,653

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

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

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Revenue		
Total revenue of reportable segments	2,443,468	2,006,330
Elimination of inter-segment revenue	(98,776)	(130,562)
Consolidated revenue	2,344,692	1,875,768
Profit or loss		
Total profits of reportable segments	95,316	98,547
Unallocated amounts:		
Change in remeasurement of contingent consideration	33,455	(1,299)
Amortisation of other intangible assets arising from business combinations	(19,927)	(19,793)
Corporate expenses	(27,305)	(26,177)
Consolidated profit before tax	81,539	51,278

(d) Geographical information

	Revenue	
	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Greater China	1,184,976	1,132,181
Malaysia, Singapore, the Philippines and Vietnam	330,820	253,115
Bahrain, Oman, Qatar, Saudi Arabia and United Arab Emirates	422,259	274,068
The United Kingdom and the United States	351,951	179,423
Others	54,686	36,981
Consolidated total	2,344,692	1,875,768

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

4. FINANCE COSTS

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank borrowings	5,577	5,775
Interest on lease liabilities	3,034	3,810
Unwinding discount expenses	70	68
	8,681	9,653

5. INCOME TAX EXPENSE

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Profits tax for the period		
Hong Kong	649	5
Overseas	17,027	9,359
Over provision in prior periods		
Hong Kong	(14)	–
Overseas	(2,777)	(2,469)
	14,885	6,895
Deferred tax	(500)	516
	14,385	7,411

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the period. A portion of the Group's profit is derived offshore and is not subject to Hong Kong profits tax.

Under the two-tiered profits tax regime, 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 has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. PROFIT FOR THE PERIOD

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of:		
Property, plant and equipment	22,869	23,676
Right-of-use assets	12,094	15,275
Amortisation of:		
Show rights and software (included in administrative expenses)	14,070	573
Intangible assets arising from business combinations	19,927	19,793
Cost of inventories sold	126,845	95,062
Allowance for bad and doubtful debts	16,235	12,547
Bad debts written off	4,443	468
Loss on disposal of property, plant and equipment	6	1,710
Increase in remeasurement of contingent consideration	–	1,299
Decrease in fair value of financial assets at FVTPL	4,244	–
Decrease in fair value of derivative financial assets	3,645	–
Loss on dissolution of subsidiaries, net	54	–
Impairment of goodwill (included in other operating expenses)	29,899	–
and crediting:		
Interest income	2,086	3,088
Rental income	15,052	16,155
Gain on disposal of property, plant and equipment	7	1,071
Gain on dissolution of subsidiaries, net	–	271
Allowance written back on bad and doubtful debts	12,701	8,283
Government grants	8,512	42,784
Net exchange gain	1,668	365
Increase in fair value of financial assets at FVTPL	–	290
COVID-19 related rent concessions	2,357	2,521
Decrease in remeasurement of contingent consideration	33,455	–
Increase in fair value of derivative financial assets	–	957

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

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

7. DIVIDENDS PAID

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
2021 final dividend paid HK5.0 cents per share (2021: 2020 final dividend paid HK2.5 cents per share)	61,913	30,954

Notes:

- (a) The 2021 final dividend of the year ended October 31, 2021 of HK\$61,913,000 (2021: 2020 final dividend of HK\$30,954,000) was approved after October 31, 2021 and 2020 respectively. Under the Group's accounting policy, they were charged in the periods in which they were proposed and approved.
- (b) The Board does not recommend payment of an interim dividend for the six months ended April 30, 2022 (2021: nil).

8. EARNINGS PER SHARE

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

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Earnings for the purposes of calculating basic and diluted earnings per share	68,905	57,523

	For the six months ended April 30,	
	2022	2021
	Unaudited	Unaudited
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,238,230,480	1,238,036,701
Effect of dilutive potential ordinary shares in respect of options	181,002	208,744
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,238,411,482	1,238,245,445

9. CAPITAL EXPENDITURES

	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Intangible assets HK\$'000
Carrying amount as at November 1, 2021 (Audited)	607,597	223,839	539,605
Additions (Note a)	10,365	2,132	32,431
Disposals/Written off	(14)	–	–
Depreciation charges/Amortisation	(22,869)	(12,094)	(33,997)
Impairment loss (Note b)	–	–	(29,899)
Exchange adjustments	(7,801)	(3,151)	1,491
Carrying amount as at April 30, 2022 (Unaudited)	587,278	210,726	509,631

Notes:

- (a) During the six months ended April 30, 2022, the Group entered into new lease agreements for 2 to 6 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$2,132,000 of right-of-use assets and HK\$2,132,000 of lease liabilities.
- (b) During the period ended April 30, 2022, the performance of Seed Communications LLC, a cash-generating unit (“CGU”) within the exhibition, event and brand activation segment, did not meet the Group’s expectations due to a slow recovery. The Group has revised the cash flow forecasts for this CGU which has been reduced to its recoverable amount of nil and an impairment loss of HK\$29,899,000 was recognised on goodwill.

10. FINANCIAL ASSETS AT FVTOCI

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Equity securities, at fair value, unlisted	19,521	11,881

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

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
At beginning of the period/year	11,881	3,867
Exchange adjustments	(125)	(38)
Total gains recognised in other comprehensive income	–	224
Additions	7,765	7,828
At end of the period/year	19,521	11,881

11. DERIVATIVE FINANCIAL ASSETS

The following table provides a reconciliation of derivative financial assets:

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
At beginning of the period/year	10,295	8,138
Exchange adjustments	(513)	494
Change in fair value of derivative financial assets	(3,645)	1,663
At end of the period/year	6,137	10,295

12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$876,810,000 (at October 31, 2021: HK\$748,805,000), an aging analysis, based on the invoice date and net of allowance, is as follows:

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Less than 91 days	625,141	587,269
91 – 180 days	158,521	73,086
181 – 365 days	47,248	41,790
More than 1 year	45,900	46,660
	876,810	748,805

13. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$394,490,000 (at October 31, 2021: HK\$335,937,000), an aging analysis, based on the date of receipt of goods or services, is as follows:

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Less than 91 days	271,229	262,159
91 – 180 days	50,385	20,488
181 – 365 days	38,574	14,819
More than 1 year	34,302	38,471
	394,490	335,937

14. CONTINGENT CONSIDERATION

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
At beginning of the period/year	33,300	78,961
Exchange adjustments	155	464
Decrease in fair value (<i>Note</i>)	(33,455)	(46,125)
At end of the period/year	–	33,300
Analysed as:		
Current liabilities	–	33,300
Non-current liabilities	–	–
	–	33,300

Note: The contingent consideration relating to the acquisition of subsidiaries is measured at fair value by using the income approach. Included in profit or loss for the six months ended April 30, 2022 was a decrease of HK\$33,455,000 (six months ended April 30, 2021: an increase of HK\$1,299,000) in fair value of the contingent consideration.

15. SHARE CAPITAL

	Number of shares		Share capital	
	April 30, 2022 Unaudited	October 31, 2021 Audited	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Ordinary share of HK\$0.05 each				
Authorised:				
At beginning and end of the period/year	2,400,000,000	2,400,000,000	120,000	120,000
Issued and fully paid:				
At beginning of the period/year	1,238,208,104	1,238,010,104	61,910	61,901
Exercise of share options (<i>Note</i>)	50,000	198,000	3	9
At end of the period/year	1,238,258,104	1,238,208,104	61,913	61,910

Note: During the period, 50,000 shares were issued at HK\$0.960 per share as a result of the exercise of share options of the Company (year ended October 31, 2021: 198,000 shares were issued at HK\$0.960 per share).

16. PLEDGE OF ASSETS

At April 30, 2022, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Freehold land and buildings	56,434	58,789
Leasehold land and buildings	113,401	118,113
Pledged bank deposits	7,117	3,676
	176,952	180,578

17. CAPITAL COMMITMENTS

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Capital expenditures in respect of property, plant and equipment and other investments		
– contracted but not provided for	4,348	6,951
– authorised but not contracted for	5,667	6,541
	10,015	13,492

The Company did not have any other significant capital commitments as at April 30, 2022.

18. CONTINGENT LIABILITIES

At April 30, 2022, the Group has issued the following guarantees:

	April 30, 2022 Unaudited HK\$'000	October 31, 2021 Audited HK\$'000
Performance guarantees		
– secured	169,192	144,647
– unsecured	8,501	37,400
	177,693	182,047
Other guarantees		
– secured	5,945	2,533

At April 30, 2022, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

19. RELATED PARTY TRANSACTIONS

	For the six months ended			For the six months ended		
	April 30, 2022			April 30, 2021		
	Associates	Joint	Related	Associates	Joint	Related
	Unaudited	ventures	companies	Unaudited	ventures	companies
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exhibition income	2,979	–	–	270	–	–
Sub-contracting fee paid	3,458	–	–	10,241	–	–
Management fee income	171	–	–	453	–	–
Property rental income	–	–	–	153	–	–
Other income	40	–	411	1	–	245

	At April 30, 2022			At October 31, 2021		
	Associates	Joint	Related	Associates	Joint	Related
	Unaudited	ventures	companies	Audited	ventures	companies
	HK\$'000	Unaudited	Unaudited	HK\$'000	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables	22,830	1	289	25,910	407	25
Payables	3,885	344	50	1,892	1,022	36

Note: All transactions were carried out at cost plus a percentage of mark-up.

20. EVENTS AFTER THE REPORTING PERIOD

On May 24, 2022, the statement review procedure was completed in relation to the 2019 acquisition of Local Projects, LLC (“Local Projects”). The transaction EBITDA has been determined in accordance with the terms of the purchase agreement which in turn determined that the holdback consideration did not materialise. Accordingly, no holdback consideration will be payable for the 2020/2021 fiscal year, being the final payment installment of the holdback consideration under the purchase agreement.

On May 24, 2022, the remaining earn-out consideration was fixed at zero in accordance with the terms of the purchase agreement. As such, there is no further earn-out consideration to be paid under the purchase agreement.

All payments in respect of the acquisition of Local Projects have been fixed.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended April 30, 2022 (2021: nil).

BUSINESS REVIEW AND PROSPECTS

Financial Results

Group revenue for the six months ended April 30, 2022 (also referred to as 'the period under review' or 'the first half of this year' in 'Business Review and Prospects') was HK\$2,345 million (2021: HK\$1,876 million), a 25.0% increase compared with the previous corresponding period.

Profit from core operations was HK\$81 million (2021: HK\$92 million), a 12.0% decrease compared with the previous corresponding period. Profit attributable to owners of the Company was HK\$69 million (2021: HK\$58 million), a 19.0% increase compared with the previous corresponding period.

Basic earnings per share was HK5.56 cents, compared to HK4.65 cents in the previous corresponding period.

Though some markets are transitioning to endemicity in relation to COVID-19, uncertainties stemming from the pandemic and geopolitical tensions continue to be of concern. As such, the Group will continue to take prudent and responsible measures to preserve a healthy medium- to long-term financial position for sustaining operations. As a result, the Board does not recommend payment of an interim dividend (2021: nil).

Operations Review

Halfway into 2022, the global economy continues to face multiple new and recurring challenges.

Last year, China was the early leader in the reinvigoration of the meetings, incentives, conventions and exhibitions (MICE) industry, with face-to-face marketing activities resuming and many popular annual or biennial events announcing their full-scale return in 2022. However, from January 2022, COVID surges in major cities including Hong Kong, Shenzhen, Shanghai and Beijing led to tightened curbs and lockdowns, resulting in the postponement or cancellation of many local and international events and exhibitions in China. This had a negative impact on the Group's recovery in the first half of this financial year.

However, the impact was partially mitigated by the return of events and exhibitions in other parts of the world where the Group operates. The beginning of 2022 saw many Asian and MENA countries as well as the USA start to loosen or lift various restrictions. Physical events on a smaller scale, supplemented by digital and hybrid activities, have correspondingly seen a gradual return as borders reopen.

The Group's operating margin declined slightly due to a tightening labour market, ongoing supply chain issues and inflation, leading to higher operational costs. In recovering markets, the Group has pursued aggressive sales strategies to capture larger market shares.

The remaining provision for contingent consideration on Local Projects, LLC, a subsidiary of MTM Choice Holdings LLC ('MTM'), was reversed when the earn-out amount was finalised. This positive impact was offset by the impairment of goodwill of another subsidiary of MTM because the recovery of its business remained slow.

Despite facing a variety of challenges, the Group's diversified geographical presence and the successful transformation of its businesses across physical, digital and integrated event formats enabled us to remain resilient and profitable while capturing a growing share of a recovering market.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Operations Review (Cont'd)

Performance by business segment:

- Exhibition, Event and Brand Activation recorded a 33.8% increase in revenue to HK\$1,914 million (2021: HK\$1,431 million).
- Visual Branding Activation recorded a 3.5% decrease in revenue to HK\$193 million (2021: HK\$200 million).
- Museum and Themed Entertainment recorded a 7.9% decrease in revenue to HK\$210 million (2021: HK\$228 million).
- Meeting Architecture Activation recorded a 64.7% increase in revenue to HK\$28 million (2021: HK\$17 million).

Exhibition, Event and Brand Activation

Exhibitions

During the period, the total number of exhibitions activated by the Group worldwide as official service provider decreased by 18%, compared with the previous corresponding period. However, the Southeast Asia region achieved an increase of nearly 70%, which helped to offset certain negative impact from China.

Outbreaks of the COVID Omicron variant in China and elsewhere caused certain exhibitions to be postponed. Nevertheless, the Group proceeded to deliver a number of exhibitions during the period as official service provider. These include Powering Digital Thailand – Huawei Cloud and Connect, and the Thailand National Science and Technology Fair in Bangkok; the Hong Kong Brands and Products Expo, and Hong Kong International Dental Expo and Symposium; the Defence Services Asia Exhibition and Conference in Kuala Lumpur; Interfilière Shanghai; the Singapore Airshow and Singapore International Water Week; and SEMICON Taiwan in Taipei.

Our portfolio of automotive brand activations continued to yield impressive results. The Group activated a number of brands at Auto Guangzhou, the Bangkok International Motor Show, the Haikou International New Energy Vehicle and Connected Mobility Show, and the Thailand International Motor Expo. Many of the brands involved also appointed us to activate multi-city roadshows and launch events.

The Group also activated various brands at Hong Kong FinTech Week and the International MotorXpo Hong Kong; BEYOND Expo in Macau; and the Fourth China International Import Expo in Shanghai.

In the USA, the Group helped TCL activate its brand presence at the annual CES international consumer electronics and technology show in Las Vegas.

In the Middle East, we activated energy and water technology company NEOM's exhibition at the World Future Energy Summit in Abu Dhabi. In Europe, we helped OPPO and ZTE activate their brands at the Mobile World Congress Barcelona.

Some notable recurring exhibitions which had been postponed are expected to resume and the Group will continue to work closely with clients to ensure project delivery once new schedules are confirmed.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Operations Review (Cont'd)

Exhibition, Event and Brand Activation (Cont'd)

Events and Brand Activations

During the period, Expo Dubai was successfully concluded in March 2022. Bringing more than 30 years of World Expo project experience into focus, the Group designed, built and operated some 20 national, corporate and thematic pavilions at Expo Dubai, delivered overlay and wayfinding packages, and provided interior fit-out services for a temporary structure at the Dubai Exhibition Centre and retail outlets across the Expo site. The Group also provided event management services for more than 500 events during the Expo's six-month duration.

In the USA, the Group conceptualised, activated and operated HP Inc and Intel's partnership with Coachella Valley Music and Arts Festival in California, including the creation of a major immersive tech-art experience. The Group also worked with State Farm, the US insurance company, to create an augmented reality campaign incorporating both physical and virtual experiences. Notably, for both aforementioned campaigns, the Group also facilitated the introduction and creation of exclusive non-fungible tokens (NFTs), bringing the projects into the metaverse ecosystem.

In mainland China, notable brand activation events during the period included VSPN's King Growth League in Nanchang, and the King Pro League Fall Season Finals in Suzhou. In Hong Kong, New Year Countdown Celebrations, Poly Auction Hong Kong's 2021 Autumn Auctions, Winter Wonderland, and several projects for entities such as Invest Hong Kong and the MTR Corporation Limited were delivered; and in Taiwan, Taipei Fashion Week.

In Singapore, major recurring projects delivered included the HSBC Women's World Championship, the Health Promotion Board's National Steps Challenge, and year-round monthly roadshows for OSIM.

In the Middle East, we activated new year festivities in Manama; and fireworks displays for the Bahrain Grand Prix – F1 Race and Bahrain National Day in Sakhir.

Digital Activations

In mainland China, digital activation projects were carried out for several brands including BMW in Beijing; China Mobile and Yonex in Shanghai; JD in Wuhu and Wuxi; and Ping An Technology and Tudor across a number of cities. In Hong Kong, we delivered several projects for AIA and Hang Seng Bank.

In Southeast Asia, the following major activations were delivered in Singapore during the period: DBS Bank's Group Leadership Conference, Facebook Women in Sport events, the HSBC BWF virtual experience and HSBC Hex-Live, TechX Summit, and the Visa CEMEA Security Summit. In Malaysia, projects included the delivery of a range of digital services for the Malaysia Digital Creativity Festival and for Malaysian oil and gas company PETRONAS. The Group also delivered Facebook's #FB4Fans in several markets in Asia.

The Group continues to provide a series of virtual events and campaigns for HP Inc across Asia and the USA.

Venue Management

This sector's business performance was still affected by COVID. Nonetheless, the Jinjiang International Convention and Exhibition Centre still delivered a number of events, including an edition of the China (Quanzhou) International Automobile Exhibition – as per a four-year (2020-23) contract with the client.

Special Projects: COVID-19 Vaccination and Community Care Facilities

Following the delivery of a number of COVID-related facilities during the last two years, the Group continued to provide expertise for more than 40 vaccination, community care and testing facilities in several markets during the period.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Operations Review (Cont'd)

Visual Branding Activation

Despite the market sentiment, the Group continues to seize opportunities arising from China's developing digital economy and booming 'new energy' vehicle sector, winning several new clients in the process.

Our contracts in this segment are generally on a yearly or multi-year basis. Though some postponements occurred during the period under review, the Group has committed to delivering its contracted services on an expedited basis to cater for these long-term clients as the situation permits. Therefore, despite various delays due to local restrictions or lockdowns during the period under review, the Group continued to activate multiple projects for automotive brands including Bentley, Ford, GAC Aion, General Motors, Infiniti, Lexus, Lincoln, Maserati, Mercedes-Benz, Nissan, Rolls-Royce, SAIC Hongyan, Trumpchi, Volkswagen and ZEEKR.

The Group also continued to activate corporate and digital showrooms and interior projects for a diverse clientele during the period, including China Telecom Anhui Company in Anhui; SAIC Volkswagen in Chengdu; Anta in Jinjiang; PATEO in Nanjing; Muyuan in Nanyang; China Minsheng Bank in Shanghai; Huawei and TCL in Shenzhen; Sugon in Tianjin; and Honeywell and Schneider Electric (China) in Xi'an.

Other retail environment projects delivered in China include Haidilao restaurants in several cities; the renovation of Hua Bao Lou in Shanghai; the Glenfiddich Whisky Boutique in Shenzhen and Glenfiddich retail window displays for 40 stores in 14 cities.

Outside China, interior projects included work for Huawei in Abu Dhabi; and the Rashid Equestrian and Horseracing Club in Riffa, Bahrain.

Museum and Themed Entertainment

During the period under review, completed themed entertainment projects included activation services for a 'BMW JOYCUBE' experience store and other exhibition zones at a Hollywood movie theme park in Beijing; thematic elements for 'NINJAGO® The Ride' at Legoland Korea Resort in Chuncheon; Rainforest Lumina's third season at the Singapore Zoo; and an interactive theatre ride for OCT Fabland Xiangyang, China.

In Australia, the Group continued to provide specialist consultancy services for several themed entertainment projects. These include a world-class surf park resort at Parkwood Village in Gold Coast, Queensland; SurfnPlay Aqua Park in Melbourne; and Light/State light installations in Mildura.

In the Middle East, our work on a large-scale museum project in Oman was substantially completed during the first half of financial year 2022, with the project to be handed over to the client in the second half.

In Hong Kong, the Group entered into partnership with New World Development to develop and operate a themed attraction at 11 SKIES, a future landmark combining retail, dining and entertainment at the heart of Airport City.

Meeting Architecture Activation

The segment resumed its revenue growth as our key Southeast Asia markets gradually reopened during the period, allowing a gradual return of physical and hybrid projects.

During the period, we delivered the FUTR World Middle East Summit in Abu Dhabi; the ASEAN Tourism Forum in Cambodia; the Singapore Apex Business Summit, and the Asia Pacific Congress of Clinical Microbiology and Infection in Singapore.

In the Philippines, the Group continued to serve existing clients and expand into additional segments through the use of e-platforms, and by transforming established exhibitions into virtual or hybrid formats. During the period, the Group delivered the Financial Education Stakeholders Expo, Philconstruct, the Philippine Institute of Civil Engineers National Convention and Technical Conference, and the United Architects of the Philippines National Convention.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Operations Review (Cont'd)

Meeting Architecture Activation (Cont'd)

Targeting ASEAN countries, the APEC Conference on Pre-Packaged Food Packaging and Labelling, and the PMI Philippines Chapter National Symposium on Project Management were both delivered in virtual form. The Asian Society of Paediatric Anaesthesiologists Conference was also successfully held in Singapore.

The loss in this segment was mainly due to the decrease of the fair value of the right to purchase the remaining equity in a subsidiary, FUTR World Limited, in the UK.

Liquidity and Financial Information

As at period end date, the total net tangible assets attributable to owners of the Company of the Group increased by 0.4% to about HK\$1,654 million (at October 31, 2021: HK\$1,648 million).

Bank and cash balances amounted to HK\$1,313 million (at October 31, 2021: HK\$1,483 million), with HK\$7 million pledged bank deposits (at October 31, 2021: HK\$4 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK\$581 million (at October 31, 2021: HK\$754 million).

Total borrowings were HK\$732 million at April 30, 2022 (at October 31, 2021: HK\$729 million). They are mainly denominated in Great British 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\$2 million (at October 31, 2021: HK\$4 million) carry fixed interest rate.

	April 30, 2022 Unaudited HK\$' million	October 31, 2021 Audited HK\$' million
Bank and cash balances	1,306	1,479
Pledged bank deposits	7	4
Less: Borrowings	(732)	(729)
Net cash balance	581	754

For the six months ended April 30, 2022, the Group invested HK\$10 million (year ended October 31, 2021: HK\$7 million) in property, plant and equipment; HK\$32 million (year ended October 31, 2021: HK\$46 million) in intangible assets. All these were financed from internal resources and bank borrowings.

At April 30, 2022, the Group has HK\$301 million (at October 31, 2021: HK\$392 million) long-term borrowings and HK\$120 million (at October 31, 2021: HK\$127 million) long-term lease liabilities. The current ratio was 1.45 times (at October 31, 2021: 1.46 times); the liquidity ratio was 1.44 times (at October 31, 2021: 1.45 times) and the gearing ratio was 8.29% (at October 31, 2021: 9.64%).

	April 30, 2022	October 31, 2021
Current ratio (current assets/current liabilities)	1.45 times	1.46 times
Liquidity ratio (current assets excluding inventories/current liabilities)	1.44 times	1.45 times
Gearing ratio (long-term borrowings including long-term lease liabilities/total assets)	8.29%	9.64%

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Liquidity and Financial Information (Cont'd)

Although our subsidiaries are located in many different countries of the world, over 73% of the Group's sales and purchases were denominated in Hong Kong dollars, Renminbi, Singapore dollars and United States dollars, and the remaining 27% were denominated in other Asian currencies and European currencies. We are already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the period. The Group has adopted a hedging policy to hedge the exposure to minimise the impact of foreign currency risk on cash flow. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees and Emoluments Policies

At April 30, 2022, the Group employs some 2,400 permanent staff engaged in project management, design, production, sales and marketing and administration, and is supported by a large pool of subcontractors and suppliers. The staff costs incurred in the period was HK\$433 million (six months ended April 30, 2021: HK\$424 million).

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

Prospects

According to International Monetary Fund's World Economic Outlook findings in April 2022, global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022-23. Though the world is slowly recovering from the impact of COVID, the outlook has dampened due to geopolitical tensions and pandemic-related uncertainties in China. Facing a difficult and uncertain market, we do not expect a 'V-shaped recovery' in the foreseeable future.

In the Exhibition, Event and Brand Activation segment, the number of shows and events scheduled for the second half of the financial year is expected to be more than double that of the first half. Subject to a relaxation of COVID restrictions and a resumption of exhibitions, we will strive to deliver services for shows worldwide.

In mainland China, we will provide official contracting services for Beijing InfoComm China; The First Global Digital Trade Expo in Hangzhou; ITMA ASIA + CITME and Marintec China in Shanghai. Other exhibitions include Art Central, and Jewellery and Gem ASIA in Hong Kong; and Cloud Expo Asia, and ITB Asia in Singapore.

The Group has also been appointed by a number of brands to deliver services at exhibitions including Auto China in Beijing; Auto Guangzhou; and the Fifth China International Import Expo in Shanghai.

In the Middle East, the Group won a significant new multi-year (2022-23) contract for the provision of design and build, creative light displays and event management services for the Noor Riyadh light and art festival in Riyadh. The Group was also commissioned by several clients to activate their presences at the Arabian Travel Market in Dubai in May.

In Singapore, events include the DSO 50th Anniversary Celebration, the Formula 1 Singapore Airlines Singapore Grand Prix, i Light Singapore, and the Ministry of Defence's Army Open House.

Our activations for a number of campaigns and events for HP Inc and State Farm in Europe and the USA will continue in the second half of the year.

On the digital front, we have been commissioned to deliver a Google livestreaming event in Beijing; PUBG Mobile's Fourth Anniversary Campaign in Europe; the Huawei APAC Digital Innovation Congress in Singapore; and the China (Anhui) International Household Appliances and Consumer Electronics Expo in Wuhu.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Prospects (Cont'd)

In the Visual Branding Activation segment, most automotive brands continued their service appointments with the Group during the second half of the year, with some of these extending into subsequent financial years. These brands include General Motors, Lexus, Lincoln, Mercedes-Benz, Nissan and Volkswagen.

In China, corporate showroom projects are to be delivered for a Meets Seasons Brand Experience Centre in Dunhuang; Jinko Solar in Haining; Alibaba Cloud in Hangzhou; Yili in Hohhot; and China Mobile in Shaanxi. Outside China, the Group won contracts including Hyundai Genesis showrooms in Oman, Saudi Arabia and the United Arab Emirates; and the NCS FutureN Gallery and Prison Heritage Centre in Singapore. The Group is also exploring business opportunities in the new energy vehicle sector, and has secured several contracts for brands including Ford, GAC Toyota and Mercedes-Benz.

Digital showrooms and experiences continue to be major points of focus for this segment in 2022. These projects include an Inspur showroom and the Long March Digital Art Memorial in Guiyang; the Suzhou Bay Digital Art Centre; and Infiniti Q Stores in Nanjing and Yinchuan. The Group's digital prowess was further expanded into the growing automation segment through our appointment by Japan's FANUC to provide design and digital services for a showroom and supporting facilities at their new industrial base in Beijing.

In the Museum and Themed Entertainment segment, major projects in the pipeline include the Hong Kong Museum of Coastal Defence and the Hong Kong Palace Museum; work for SplashMania Gamuda Cove in Selangor, Malaysia; a contract for an indoor waterpark for HomeTeamNS, and construction work for the Bird Park and its entrance in Singapore; and Chimelong's marine science park in Zhuhai.

In the Meeting Architecture Activation segment, the Group has secured several contracts in Southeast Asia for the second half of the financial year, including Pack Print Plas Philippines and Philconstruct in several cities in the Philippines. Other upcoming shows include the Asian Vaccine Conference for the Asia Pacific; the International Congress of the Asia Pacific Society of Infection Control, and the LTA-UITP Singapore International Transport Congress and Exhibition in Singapore.

In the second half of 2022, the Group will continue to follow our 'Experience-led, Digital-First' and 'Content Creation and Community-Building' strategies to better meet client needs. Although we expect a cautious recovery from the market, we are confident in our ability to adapt to market changes and sustain growth while cautiously managing our cost and financial resources.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in Note 20 to the condensed consolidated interim financial statements of this interim report.

DIRECTORS' INTERESTS IN SHARES

At April 30, 2022, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of Directors		Number of shares/underlying shares held			Approximate percentage of shareholding of the Company
		Personal interests	Other interests	Total interests	
Mr. Lawrence Chia Song Huat	(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:

- 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".
- 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".
- 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

The share option scheme approved by the shareholders of the Company on March 22, 2012 (the "2012 Scheme") has expired on March 22, 2022. Thereafter, no further options will be granted under the 2012 Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2012 Scheme.

At the annual general meeting of the Company held on March 25, 2022, the shareholders of the Company approved the adoption of a new share option scheme (the "2022 Scheme") under which the Directors of the Company may grant options to eligible persons ("Eligible Persons") to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2022 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 2022 Scheme for subscription of up to a total of 123,825,810 shares, representing approximately 10% of the issued share capital of the Company as at the date of adoption. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date on which the option is offered to Eligible Persons, which must be a business day; the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and the nominal value of the shares on the offer date.

SHARE OPTIONS (CONT'D)**(i) Outstanding options****(a) 2012 Scheme**

Details of outstanding options over new shares of the Company at beginning and at end of the reporting period which have been granted under the 2012 Scheme are as follows:

		Outstanding at November 1, 2021	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at April 30, 2022
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Note a)	1,400,000	-	-	-	1,400,000
	(Note e)	2,500,000	-	-	-	2,500,000
Ms. Jean Chia Yuan Jiun	(Note a)	475,000	-	-	-	475,000
	(Note e)	1,000,000	-	-	-	1,000,000
Mr. Mok Pui Keung	(Note a)	46,000	-	-	-	46,000
	(Note b)	30,000	-	-	-	30,000
	(Note c)	78,000	-	-	-	78,000
	(Note d)	210,000	-	-	-	210,000
	(Note e)	500,000	-	-	-	500,000
Total Directors		6,239,000	-	-	-	6,239,000
<i>Category 2: Employees</i>						
	(Note a)	1,527,000	-	-	-	1,527,000
	(Note b)	340,000	-	-	-	340,000
	(Note c)	540,000	-	-	-	540,000
	(Notes d, f)	1,480,000	-	(50,000)	-	1,430,000
	(Note e)	700,000	-	-	-	700,000
Total employees		4,587,000	-	(50,000)	-	4,537,000
Total all categories		10,826,000	-	(50,000)	-	10,776,000

Notes:

- (a) 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. The vesting dates are May 25, 2017, November 1, 2017, May 2, 2018 and November 1, 2018.
- (b) 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. The vesting dates are May 23, 2018, November 1, 2018, May 2, 2019 and November 1, 2019.
- (c) 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. The vesting dates are May 17, 2019, November 1, 2019, May 4, 2020 and November 2, 2020.
- (d) 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. The vesting dates are September 8, 2020, November 2, 2020, May 3, 2021 and November 1, 2021.
- (e) 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. The vesting dates are February 26, 2021, November 1, 2021, May 3, 2022 and November 1, 2022.
- (f) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$1.280.

(b) 2022 Scheme

During the period ended April 30, 2022, no share options were granted under the 2022 Scheme.

SHARE OPTIONS (CONT'D)

(ii) Valuation of share options

- (a) The following significant assumptions were used to derive the fair value using the Binomial Options pricing model:

Date of grant	Exercise price HK\$	Based on	Expected volatility %	Weighted average share price HK\$	Risk-free rate %	Annual dividend yield %
		expected life of share options Year(s)				
2012 Scheme						
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

- (b) 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.
- (c) The Group recognised the total expenses of HK\$178,000 for the six months ended April 30, 2022 (six months ended April 30, 2021: HK\$459,000) in relation to share options granted by the Company.

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

SUBSTANTIAL SHAREHOLDERS

At April 30, 2022, 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	Capacity	Number of shares/ underlying shares held	Percentage of issued share capital
Pine Asset Management Limited	Beneficial owner	462,167,186 (L)	37.32%
FMR LLC	Interest of controlled corporation	123,789,010 (L)	10.00%
Brandes Investment Partners, L.P.	Investment manager	99,023,157 (L)	8.00%
Northern Trust Corporation	Approved lending agent	91,674,481 (P)	7.40%
FIL Limited (<i>Note</i>)	Interest of controlled corporation	61,975,000 (L)	5.01%
Pandanus Associates Inc. (<i>Note</i>)	Interest of controlled corporation	61,975,000 (L)	5.01%
Pandanus Partners L.P. (<i>Note</i>)	Interest of controlled corporation	61,975,000 (L)	5.01%

Note: Pandanus Associates Inc. being the general partner and controls 100% of Pandanus Partners L.P., which in turn controls as to 37.01% shareholding interest in FIL Limited. FIL Limited was interested in these 61,975,000 shares of the Company through a series of subsidiaries.

SUBSTANTIAL SHAREHOLDERS (CONT'D)

- (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 other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at April 30, 2022.

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

During the period ended April 30, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended April 30, 2022, the Company has complied with the code provisions (the "CG Code") as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following deviation:

CG Code A.2.1 (which has been re-numbered as CG Code C.2.1 under the new Corporate Governance Code that came into effect on January 1, 2022) stipulates that the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Given the current corporate structure, there is no separation between the roles of the Chairman and the Chief Executive Officer. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. There are four Independent Non-Executive Directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the period ended April 30, 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board
Leung Hoi Yan
Company Secretary

Hong Kong, June 23, 2022