PICO FAR EAST HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 752)

AUDITED FINAL RESULTS
FOR THE YEAR ENDED OCTOBER 31, 2018

The Board of Directors (the "Board") of Pico Far East Holdings Limited (the "Company") is pleased to announce the audited final results of the Company and its subsidiaries (the "Group") for the year ended October 31, 2018, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended October 31, 2018

	Note	2018 HK$'000	2017 HK$'000 (restated)
Revenue	2	**4,631,350**	3,978,751
Cost of sales		**(3,215,245)**	(2,733,728)
Gross profit		**1,416,105**	1,245,023
Other income	3	**90,809**	103,503
Distribution costs		**(589,828)**	(487,614)
Administrative expenses		**(546,514)**	(465,522)
Other operating expenses		**(4,467)**	(35,750)
Profit from core operations		**366,105**	359,640
Change in remeasurement of contingent consideration		**(34,432)**	(2,686)
Amortisation of other intangible assets arising from business combinations		**(16,537)**	(1,134)
Profit from operations		**315,136**	355,820
Finance costs	4	**(4,067)**	(4,642)
		311,069	351,178
Share of profits of associates		**25,532**	17,220
Share of profits (losses) of joint ventures		**29**	(103)
Profit before tax		**336,630**	368,295
Income tax expense	5	**(63,468)**	(71,938)
Profit for the year	6	**273,162**	296,357
Attributable to:			
Owners of the Company		**271,508**	281,439
Non-controlling interests		**1,654**	14,918
		273,162	296,357
EARNINGS PER SHARE	8		
Basic		**22.01 cents**	22.92 cents
Diluted		**21.98 cents**	22.86 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended October 31, 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**273,162**	296,357
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(56,168)**	42,007
Share of other comprehensive income of associates	**(1,610)**	—
Reserve reclassified to profit or loss on dissolution and disposal of subsidiaries	**(814)**	10,964
Other comprehensive income for the year, net of tax	**(58,592)**	52,971
Total comprehensive income for the year	**214,570**	349,328
Attributable to:		
Owners of the Company	**215,839**	333,653
Non-controlling interests	**(1,269)**	15,675
	214,570	349,328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At October 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current Assets			
Investment properties		**146,749**	142,201
Property, plant and equipment		**711,473**	647,182
Prepaid land lease payments		**85,055**	91,156
Intangible assets		**288,103**	199,305
Interests in joint ventures		**562**	583
Interests in associates		**158,958**	151,751
Club membership		**3,903**	3,921
Available-for-sale financial assets		**1,324**	496
Deferred tax assets		**1,686**	1,679
Loan due from an associate		**9,206**	9,478
		1,407,019	1,247,752
Current Assets			
Inventories		**64,138**	72,434
Contract work in progress		**51,941**	59,400
Debtors, deposits and prepayments	*9*	**1,688,254**	1,455,852
Amounts due from associates		**22,062**	12,921
Amounts due from joint ventures		**—**	145
Current tax assets		**1,806**	2,395
Pledged bank deposits		**12,711**	4,947
Bank and cash balances		**871,048**	1,099,612
		2,711,960	2,707,706
Current Liabilities			
Payments received on account		**193,094**	208,788
Contract work in progress		**26,620**	15,326
Creditors and accrued charges	*10*	**1,480,674**	1,411,727
Amounts due to associates		**6,862**	14,857
Amounts due to joint ventures		**5,942**	606
Current tax liabilities		**42,993**	59,407
Borrowings		**92,906**	5,099
Contingent consideration		**63,827**	8,892
		1,912,918	1,724,702
Net Current Assets		**799,042**	983,004
Total Assets Less Current Liabilities		**2,206,061**	2,230,756

	2018	2017
	HK$'000	*HK$'000*
Non-current Liabilities		
Borrowings	**15,882**	75,691
Contingent consideration	**146,759**	112,925
Deferred tax liabilities	**45,839**	42,278
	208,480	230,894
NET ASSETS	**1,997,581**	1,999,862
Capital and Reserves		
Share capital	**61,760**	61,511
Reserves	**1,850,681**	1,854,677
Equity attributable to owners of the Company	**1,912,441**	1,916,188
Non-controlling interests	**85,140**	83,674
TOTAL EQUITY	**1,997,581**	1,999,862

NOTES:

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for annual periods beginning on or after November 1, 2017. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require the Group to provide disclosure of changes in the liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided this information in notes to the consolidated financial statements.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that the Group needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how the Group should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning November 1, 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	January 1, 2018
HKFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	January 1, 2018
Amendments to HKAS 40 Investment Property: Transfers of Investment Property	January 1, 2018
HK(IFRIC) — Int 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
Amendments to HKFRS 9 Financial Instruments: Prepayment features with negative compensation	January 1, 2019
HKFRS 16 Leases	January 1, 2019
HK(IFRIC) — Int 23 Uncertainty over Income Tax Treatments	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at October 31, 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) *Classification and measurement*

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) *Impairment*

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from long-term contracts.

HKFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of November 1, 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue from short-term contracts is recognised on completion of the contracts, revenue arising from long-term contracts is recognised over time, whereas revenue from the sale of products is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) when the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
(ii) when the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
(iii) when the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that HKFRS 15 does not have significant impact on how it recognises revenue from long-term contracts.

(b) Warranty obligations

The Group generally provides for warranties for repairs to any defective products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in notes to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its rented premises amounted to HK$137,575,000 as at October 31, 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) — Int 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the exhibition and event marketing services; visual branding experiences; museum, themed environment, interior and retail; conference and show management; and their related business.

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

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

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

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

	Exhibition and event marketing services	Visual branding experiences	Museum, themed environment, interior and retail	Conference and show management	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended October 31, 2018						
Revenue from external customers	**3,817,857**	**368,036**	**358,910**	**86,547**		**4,631,350**
Inter-segment revenue	**305,427**	**995**	**95,676**	**—**		**402,098**
Segment profits	**328,055**	**42,768**	**30,560**	**20,112**		**421,495**
Share of profits of associates	**14,354**	**—**	**—**	**11,178**	**—**	**25,532**
Share of profits of joint ventures	**29**	**—**	**—**	**—**	**—**	**29**
Interest income	**4,555**	**786**	**310**	**257**	**—**	**5,908**
Interest expenses	**3,290**	**87**	**221**	**469**	**—**	**4,067**
Depreciation and amortisation	**33,587**	**4,175**	**3,203**	**1,067**	**27,025**	**69,057**
Other material non-cash items:						
Impairment on club membership	**8**	**—**	**—**	**—**	**—**	**8**
Impairment on interests in an associate	**4,442**	**—**	**—**	**—**	**—**	**4,442**
Allowance for bad and doubtful debts	**7,615**	**263**	**3,818**	**5**	**—**	**11,701**
Additions to segment non-current assets	**124,495**	**1,714**	**4,025**	**475**	**107,781**	**238,490**
At October 31, 2018						
Segment assets	**2,817,449**	**344,123**	**222,830**	**155,516**		**3,539,918**
Segment liabilities	**1,434,736**	**176,705**	**144,889**	**65,650**		**1,821,980**
Interests in associates	**122,078**	**—**	**—**	**36,880**	**—**	**158,958**
Interests in joint ventures	**562**	**—**	**—**	**—**	**—**	**562**

	Exhibition and event marketing services HK$'000 (restated)	Visual branding experiences HK$'000	Museum, themed environment, interior and retail HK$'000	Conference and show management HK$'000 (restated)	Unallocated HK$'000 (restated)	Total HK$'000 (restated)
For the year ended October 31, 2017						
Revenue from external customers	3,188,827	348,147	296,467	145,310		3,978,751
Inter-segment revenue	360,821	26,738	45,451	683		433,693
Segment profits	317,413	33,496	20,683	26,552		398,144
Share of profits of associates	8,632	—	—	8,588	—	17,220
Share of losses of joint ventures	(103)	—	—	—	—	(103)
Interest income	3,427	981	1,123	106	—	5,637
Interest expenses	4,636	—	—	6	—	4,642
Depreciation and amortisation	22,478	4,353	3,038	2,338	18,218	50,425
Other material non-cash items:						
Impairment on club membership	7	—	—	—	—	7
Impairment on interests in an associate	—	—	—	377	—	377
Allowance for bad and doubtful debts	9,456	—	8,954	2	—	18,412
Additions to segment non-current assets	57,583	1,522	1,191	728	194,170	255,194
At October 31, 2017						
Segment assets	2,606,228	431,625	230,679	196,944		3,465,476
Segment liabilities	1,222,354	310,755	137,205	61,780		1,732,094
Interests in associates	114,989	—	—	36,762	—	151,751
Interests in joint ventures	583	—	—	—	—	583

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

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Revenue		
Total revenue of reportable segments	**5,033,448**	4,412,444
Elimination of inter-segment revenue	**(402,098)**	(433,693)
Consolidated revenue	**4,631,350**	3,978,751
Profit or loss		
Total profits of reportable segments	**421,495**	398,144
Unallocated amounts:		
Change in remeasurement of contingent consideration	**(34,432)**	(2,686)
Amortisation of other intangible assets arising from business combinations	**(16,537)**	(1,134)
Corporate expenses	**(33,896)**	(26,029)
Consolidated profit before tax	**336,630**	368,295
Assets		
Total assets of reportable segments	**3,539,918**	3,465,476
Unallocated amounts:		
Corporate motor vehicles	**5,131**	6,865
Properties	**283,858**	282,093
Goodwill and other intangible assets arising from business combinations	**286,580**	196,950
Deferred tax assets	**1,686**	1,679
Current tax assets	**1,806**	2,395
Consolidated total assets	**4,118,979**	3,955,458
Liabilities		
Total liabilities of reportable segments	**1,821,980**	1,732,094
Unallocated amounts:		
Contingent consideration	**210,586**	121,817
Current tax liabilities	**42,993**	59,407
Deferred tax liabilities	**45,839**	42,278
Consolidated total liabilities	**2,121,398**	1,955,596

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

Geographical information

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Greater China	**2,736,346**	2,480,629	**689,387**	663,189
India, Malaysia, Singapore, the Philippines and Vietnam	**1,122,706**	964,023	**368,338**	333,527
Bahrain, Qatar, and United Arab Emirates	**286,975**	230,269	**36,783**	36,113
The United Kingdom and the United States	**285,292**	57,182	**8,844**	538
Others	**200,031**	246,648	**968**	1,861
Consolidated total	**4,631,350**	3,978,751	**1,104,320**	1,035,228

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

3. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Included in other income are:		
Allowance written back on bad and doubtful debts	**3,947**	10,545
Dividend income from available-for-sale financial assets	**4**	4
Gain on disposal of property, plant and equipment	**13,697**	31,485
Interest income	**5,908**	5,637
Rental income	**37,106**	34,453

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

The gross rental income from investment properties for the year amounted to HK$6,953,000 (2017: HK$5,920,000).

For the year ended October 31, 2018, gain on disposal of property, plant and equipment included compensation of HK$12,651,000 (2017: HK$31,085,000), from the local government for compulsory acquisition of an old factory in the PRC for urban renewal and development in year 2017. The final payment was settled in May 2018.

4. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**4,067**	4,642

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Profits tax for the year		
Hong Kong	**1,900**	3,856
Overseas	**66,108**	70,580
Over provision in prior years		
Hong Kong	**(298)**	(230)
Overseas	**(992)**	(3,499)
	66,718	70,707
Deferred tax	**(3,250)**	1,231
	63,468	71,938

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year. A portion of the Group's profit is derived offshore and is not subject to Hong Kong profits tax.

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

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax (excluding share of results of associates and joint ventures)	**311,069**	351,178
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**51,326**	57,944
Effect of different taxation rates in other countries	**2,765**	12,326
Tax effect of income that is not taxable	**(13,316)**	(14,692)
Tax effect of expenses that are not deductible	**10,341**	17,834
Tax effect of utilisation of previously unrecognised tax losses	**(1,282)**	(6,425)
Tax effect of tax losses not recognised	**11,841**	14,994
Deferred taxation on withholding tax arising on undistributed earnings of subsidiaries	**111**	425
Over provision in prior years	**(1,290)**	(3,729)
Others	**2,972**	(6,739)
Income tax expense	**63,468**	71,938

6. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**5,857**	5,282
Depreciation	**49,198**	45,943
Loss on disposal of property, plant and equipment	**269**	105
Loss on dissolution of subsidiaries	**231**	29,910
Loss on disposal of subsidiaries	**821**	—
Loss on disposal of associates	**68**	—
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	**2,543**	2,542
Office premises	**31,222**	22,597
Equipment	**3,582**	3,021
Direct operating expenses of investment properties that generate rental income	**3,285**	3,005
Cost of inventories sold	**165,116**	144,940
Allowance for bad and doubtful debts	**11,701**	18,412
Allowance for inventories	**6**	6
Amortisation of show rights (included in administrative expenses)	**779**	806
Amortisation of other intangible assets arising from business combinations	**16,537**	1,134
Net exchange loss	**—**	1,067
Impairment on club membership (included in administrative expenses)	**8**	7
Impairment on interests in an associate (included in administrative expenses)	**4,442**	377
Increase in remeasurement of contingent consideration	**34,432**	2,686
and crediting:		
Gain on disposal of property, plant and equipment	**13,697**	31,485
Gain on dissolution of subsidiaries	**1,342**	—
Gain on disposal of subsidiaries	**534**	—
Gain on disposal of a joint venture	**—**	2,348
Gain on disposal of an associate	**—**	27
Net exchange gain	**851**	—
Increase in net fair value of investment properties	**7,092**	304

7. DIVIDENDS PAID

	2018	2017
	HK$'000	*HK$'000*
2017 final dividend paid HK9.0 cents per share and special dividend paid HK5.0 cents per share (2017: 2016 final dividend paid HK7.5 cents per share and special dividend paid HK5.0 cents per share)	**172,896**	153,657
2018 interim dividend paid HK4.5 cents per share (2017: 2017 interim dividend paid HK4.5 cents per share)	**55,582**	55,355
Total	**228,478**	209,012

A final dividend of HK9.0 cents per share for the year ended October 31, 2018 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

8. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share	**271,508**	281,439

	2018	2017
Issued ordinary shares at beginning of year	**1,230,220,104**	1,224,896,104
Effect of new shares issued	**3,494,460**	3,282,071
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,233,714,564**	1,228,178,175
Effect of dilutive potential ordinary shares in respect of options	**1,344,784**	2,987,257
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,235,059,348**	1,231,165,432

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**1,470,431**	1,243,428
Less: allowance for bad and doubtful debts	**(57,310)**	(53,086)
	1,413,121	1,190,342
Other debtors	**43,146**	67,022
Less: allowance for bad and doubtful debts	**(13,966)**	(16,827)
	29,180	50,195
Prepayments and deposits	**245,953**	215,315
	275,133	265,510
	1,688,254	1,455,852

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

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

	2018	2017
	HK$'000	*HK$'000*
Less than 91 days	**937,268**	846,787
91 – 180 days	**224,615**	145,175
181 – 365 days	**199,090**	175,153
More than 1 year	**52,148**	23,227
	1,413,121	1,190,342

The carrying amounts of the Group's trade debtors are denominated in the following currencies:

	Hong Kong dollars	Euro	Malaysian ringgits	Renminbi	Singapore dollars	United States dollars	United Arabs Emirates dirhams	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At October 31, 2018	**85,714**	**24,343**	**32,685**	**863,442**	**179,621**	**102,230**	**65,000**	**60,086**	**1,413,121**
At October 31, 2017	82,935	17,674	48,524	659,562	165,382	91,763	60,461	64,041	1,190,342

At October 31, 2018, an allowance was made for estimated irrecoverable trade debtors of HK$57,310,000 (2017: HK$53,086,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for bad and doubtful debts of trade debtors:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**53,086**	57,157
Exchange adjustments	**(1,676)**	1,249
Allowance for the year	**11,127**	14,574
Amounts written off as uncollectible	**(3,849)**	(15,212)
Allowance written back	**(1,378)**	(4,637)
Dissolution of subsidiaries	**—**	(45)
At end of year	**57,310**	53,086

At October 31, 2018, trade debtors of HK$663,962,000 (2017: HK$632,334,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors, based on the due date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 91 days	**364,007**	326,868
91 – 180 days	**186,615**	198,403
181 – 365 days	**79,605**	82,358
More than 1 year	**33,735**	24,705
	663,962	632,334

Movement in the allowance for bad and doubtful debts for other debtors:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**16,827**	22,563
Exchange adjustments	**(139)**	144
Amounts written off as uncollectible	**(153)**	(53)
Allowance written back	**(2,569)**	(5,827)
At end of year	**13,966**	16,827

10. CREDITORS AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**459,795**	485,250
Accrued charges	**1,002,512**	908,395
Other creditors	**18,367**	18,082
	1,480,674	1,411,727

The aging analysis of trade creditors, based on the date of receipt of goods or services, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 91 days	**352,135**	316,639
91 – 180 days	**45,420**	69,077
181 – 365 days	**27,425**	42,811
More than 1 year	**34,815**	56,723
	459,795	485,250

The carrying amounts of the Group's trade creditors are denominated in the following currencies:

	Hong Kong dollars	**Euro**	**Malaysian ringgits**	**Renminbi**	**Singapore dollars**	**United States dollars**	**United Arabs Emirates dirhams**	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At October 31, 2018	**52,626**	**12,164**	**10,709**	**270,848**	**28,886**	**27,180**	**30,418**	**26,964**	**459,795**
At October 31, 2017	51,528	15,098	18,191	304,167	26,163	22,345	28,717	19,041	485,250

BUSINESS REVIEWS AND PROSPECTS

Results

During the year under review, the Group saw record-high revenue of HK$4,631 million (2017: HK$3,979 million), representing an increase of 16.4% comparing to the same period last year.

This revenue growth can be attributed to the effectiveness of our Pico+ strategies which continues to deliver impressive results for our global clients. These strategies successfully mitigated the knock-on effects created by the rising global trade tensions and tightening financial conditions present throughout the year.

Earnings before interest, taxes, depreciation, amortisation and change in remeasurement of contingent consideration (EBITDA) increased by 4.3% to HK$438.3 million (2017: HK$420.4 million).

Profit for the year attributable to owners of the Company decreased by 3.5% to HK$271.5 million (2017: HK$281.4 million). Core operating margin was 7.9% (2017: 9.0%) and the decrease in core operating margin was due to the higher overhead costs inherent in making investment in human resources, technologies and systems to effectively run our Pico+ strategies and other industry-leading initiatives like Pico X, which will be discussed in the latter part of Review of Operations. The investments made in critical growth areas like branding, data, digital and technologies were instrumental to our growth this year and we have started to see tangible results in the form of greater revenue and stronger capabilities. Moving forward, these investments will continue to generate more revenue and will drive higher profits.

Dividend

The Directors recommend the payment of a final dividend of HK9.0 cents per ordinary share (2017: a final dividend of HK9.0 cents and a special dividend of HK5.0 cents). Together with an interim dividend of HK4.5 cents (2017: HK4.5 cents) per ordinary share, the total dividend for the year amounts to HK13.5 cents (2017: HK18.5 cents) per ordinary share, representing 61.3% of this year's basic earnings per share of HK22.01 cents (2017: HK22.92 cents).

Review of Operations

As of October 31, 2018, the Group operated 44 permanent offices in 37 cities.

During the year under review, the Group continued to maintain our global reach while keeping a strong focus on Asia with emphasis on Greater China. Our global network operation model remained dynamic this year, with our offices of different sizes and scales able to better meet the ever-changing needs of the market and with project teams able to move quickly to geographies in which they were required.

This year, the acquisition of Camron Public Relations Limited ("Camron PR"), a brand-focused PR agency in the design, lifestyle and communications space, was successfully completed under MTM Choice Holdings LLC ("MTM"). With offices in London, Milan, New York and Los Angeles, Camron PR specialises in high-end and luxury clients. Earlier in December 2017, another acquisition, Seed Communications LLC d/b/a Sub Rosa, an agency engaged in brand strategy and design renowned for its market-leading approach to Empathic Design, was already announced in our interim report. The performance of MTM and its subsidiaries met our expectation in this financial year.

Aiming to consolidate our leadership position in the industry, this year the Group embarked on a strategic digital integration initiative called Pico X. Through a focus on data intelligence, analytic technologies and applications, Pico X draws on the latest technologies and integrates these with both our external offerings and our internal operations to better achieve our clients' objectives and our own corporate objectives. For our clients, Pico X develops digital products, platforms and tools which add value to our Pico+ strategies and our experience design solutions. Internally, Pico X is strategically accelerating our digital transformation, efficiently pairing the relevant expertise with the right technology.

The Group also took another progressive and industry-leading step by consolidating our project management, procurement and production processes into a centralised deployment centre model. This deployment centre brings cost benefits to the Group by overseeing and managing cost validation, procurement, the vendor network and in-house production throughout a project's work flow. As time goes by, this system will accumulate substantial amounts of data, allowing it to run on its own as a high-velocity operations machine — a powerful tool to service our clients in a smarter, lower cost way. In the long run, this centre will become a sustainable and healthy ecosystem that creates value for all our stakeholders.

Review of Business

Geographical Review

Geographically, the Greater China region (including Hong Kong, Macau, Taiwan and the PRC) accounted for 59.1% (2017: 62.4%) of the Group's total revenue of HK$4,631 million (2017: HK$3,979 million).

South and Southeast Asia (including India, Malaysia, the Philippines, Singapore and Vietnam) accounted for 24.2% (2017: 24.2%); the Middle East, including Bahrain, Qatar and the United Arab Emirates, accounted for 6.2% (2017: 5.8%); while the United Kingdom and the United States accounted for 6.2% (2017: 1.4%). Other regions accounted for 4.3% (2017: 6.2%).

Business Segment Review

Exhibition and Event Marketing Services

During the year under review, revenue in the Exhibition and Event Marketing Services segment accounted for HK$3,818 million (2017: HK$3,189 million) or 82.4% (2017: 80.1%) of the Group's total revenue. Profit in this segment was HK$328.1 million (2017: HK$317.4 million).

Pico was able to sustain our strong position in the exhibition industry this year by being appointed official service provider for numerous exhibitions covering a total of over five million square metres of gross exhibition space. This represents a 15% increase when compared with last year. Some of these exhibitions completed during the year included:

1. The 10th China CNC Machine Tool Fair in Shanghai
2. The 26th International Exhibition of Automobile Accessories in Beijing
3. The Affordable Art Fair in Hong Kong
4. Art Central in Hong Kong
5. Asia Fruit Logistica in Hong Kong
6. Automechanika Shanghai
7. The China Sourcing Fair (Spring and Autumn editions) in Hong Kong
8. Cloud Expo Asia in Hong Kong and Singapore
9. Design Shanghai
10. Digital Thailand Big Bang: Thailand Big Data in Nonthaburi
11. The Hong Kong Jewellery and Gem Fair
12. InfoComm China in Beijing
13. ITMA Asia and CITME in Shanghai
14. Marintec China in Shanghai
15. The Ninth Session of the World Urban Forum in Kuala Lumpur
16. ProPak Vietnam in Ho Chi Minh City
17. Salone del Mobile.Milano Shanghai
18. Semicon Southeast Asia in Kuala Lumpur and Semicon Taiwan in Taipei
19. Singapore Airshow
20. Singapore Garden Festival
21. Thailand National Science and Technology Fair in Nonthaburi
22. Vinexpo Hong Kong

With respect to event marketing services, this year the Group delivered some 4,000 events of various types and scales, drawing world-renowned clients from a wide variety of sectors, including AMTD Group, Bloomberg, China Mobile, evian, ExxonMobil, Google, Huawei, McDonald's, Midea, PricewaterhouseCoopers, Rolex, Samsung, Tencent and Volvic amongst many others.

The Group added further strength to our unique automobile brand activation capabilities during the year, delivering services to nearly fifty car marques at product launch events, multi-city road shows, and high-profile international motor shows in China, across Asia and in other regions, namely Auto China in Beijing, Auto Guangzhou, Chengdu Motor Show, Dubai International Motor Show, Paris Motor Show, the 35th Thailand International Motor Expo in Bangkok and the 39th Bangkok International Motor Show.

Our Pico+ strategies, complemented by a network of specialised agencies, continued to create results-driven value for our long-term clients which included Alibaba, Continental Tires APAC, DiDi, Dow, DuPont, NBA China and Yonex. We were able to capture new retainer contracts for digital marketing in China for BRP, DBS Bank, Flywire and Rolf Benz. We also applied our interactive technology capabilities to provide engaging visitor experience for the DiDi Experience Centre in Beijing.

Our strategy which helps bring Chinese brands into overseas markets saw tangible results this year at the world-renowned CES consumer electronics and technology show in Las Vegas. At CES 2018, we activated the brand presence of Alibaba, HiSilicon Technologies, HTC VIVE and Huawei alongside several Japanese brands — Koito, Mitsufuji's hamon and Toyota. Alibaba's booth — which utilised augmented reality, interactive software and virtual reality-based activities — appeared on Exhibitor magazine's "The Best of CES" list, which chose 20 of the event's most remarkable and impressive exhibits out of the show's approximately 4,000 booths.

For JD.com at ChinaJoy — an exciting and expanding annual digital entertainment expo and conference in China held in Shanghai, we set up an on-site live-streaming station where star hosts could broadcast the event on a popular live-streaming platform. Our expertise in activating this nearly 1,000 square-metre booth has opened up further opportunities for the Group in the fast-growing gaming and e-sports sector.

Our rich portfolio of international and national mega-events was enhanced by the Expo Negaraku held in late 2017 in Malaysia. We provided turnkey services for this month-long exposition which attracted over half a million visitors. Other successes included the sixth edition of the i Light Marina Bay Sustainable Light Art Festival, with which the Group has been involved since its inception, and the Prudential Marina Bay Carnival in Singapore.

For years, the Group has helped activate world-class sporting events at venues around the world. This year, we successfully created the P&G Family Home at the PyeongChang 2018 Winter Olympics. We provided services for several corporate sponsors at the 2018 FIFA World Cup Russia. We also delivered branding services for the Asian Football Confederation at various leagues and championship games in major cities in China, Indonesia, Japan, Jordan, Malaysia, Saudi Arabia, Tajikistan and Vietnam.

This year, organisers and corporate sponsors of many major sporting events continued to call on the Group's expertise in providing both venue overlay and turnkey services. These events included the Cathay Pacific/HSBC Hong Kong Sevens and the FIA Formula E HKT Hong Kong E-Prix; the Formula One Singapore Grand Prix, the HSBC Singapore Rugby Sevens and HSBC Women's World Championship in Singapore; the Mubadala World Tennis Championship in Dubai; and the WGC-HSBC Champions golf tournament in Shanghai.

In the Middle East, we delivered the Bahrain National Day celebrations along with several high-profile festivals including the Bahrain Food Festival, the Bahrain Light Festival, the Bahrain Sea Festival, the Hurafuna Handicrafts Festival as well as the Disney On Ice — Passport to Adventure in Manama. In Dubai, we delivered the Rhythm on the River event at Riverland Dubai, part of Dubai Parks and Resorts. We were subsequently invited to handle other events by Dubai Parks and Resorts including Fairy Tales on the River and the Halloween SAW Maze. Other major events in Dubai included the UAE National Day celebrations, the Dubai Health Forum and the Dubai Shopping Festival, while at Arabian Travel Market, we created award-winning stands for the Department of Tourism and Commerce Marketing and Saudi Arabian Airlines.

Meanwhile, the Group continued to expand our venue management capabilities throughout Southeast Asia and China. In Myanmar, the new Yangon Convention Centre ("YCC") was officially opened and commenced operations in the second half of the year, as scheduled. The YCC offers nearly 10,000 square metres of exhibition space and hosted ProPak Myanmar as its inaugural event. The YCC is well-placed to grow as a prominent convention and exhibition destination for iconic local, regional and international exhibitions and events.

In China, the Chenzhou International Convention and Exhibition Centre ("CZCEC") continued to see solid performance. Large-scale shows hosted during the year included the recurring Chenzhou Auto show (Winter edition) and the inaugural Hunan (Chenzhou) Energy Saving and Emission Reduction and New Energy Industry Expo. The CZCEC once again hosted the annual China (Hunan) International Mineral and Gem Show. Meanwhile, the Xi'an Greenland Pico International Convention and Exhibition Centre ("GPCEC") hosted several projects, including the Shell's Make the Future Xi'an event and several recurring shows like the Xi'an International Auto Show and the Xi'an (China) Buddhist Culture Exposition. During its eleventh anniversary year, the GPCEC was granted full membership to UFI, a leading global tradeshow organiser and exhibition centre operator association.

The Sri Lanka Exhibition and Convention Centre hosted over 20 international new and recurring events during the year under review; contributing to the country's MICE industry.

Visual Branding Experiences

This segment accounted for HK$368 million (2017: HK$348 million) or 7.9% (2017: 8.8%) of the total Group revenue. Segment profit was HK$42.8 million (2017: HK$33.5 million).

Over the years, we have built a strong reputation as the preferred supplier for brand identity services for dealerships and showrooms for all major automotive brands in China. For more than a decade, this segment's major clients have been automotive brands based in China. However, the industry has been experiencing a downturn in recent years, somewhat affecting growth in this segment. Foreseeing this situation, we adopted a diversification strategy to broaden our clientele into other sectors, most notably the infrastructure development and public transportation sectors, which have experienced massive growth thanks to China's enormous investment in providing better living conditions for its citizens. The Group has also invested heavily in market and product development to further stimulate growth, creating returns as we successfully explored export markets like India, Russia, and the Middle East.

During the year under review, we provided rebranding solutions for Sherwin-Williams, a 150-year-old American company involved in the manufacture, distribution and sale of coatings and related products, as they rolled out a new branding strategy for the China market. We provided these solutions for their China headquarters and their manufacturing plants in Dongguan and Nantong. The project was a success and Sherwin-Williams subsequently invited us to provide design for visual identity and interior solutions for their retail stores and experience centres across China.

Tiens, the dietary supplement company, has operations in Europe, Russia, Africa, Central Asia, Southeast Asia and China. Our expertise was called upon to create their 4,300 square-metre Tiens Products Experiences Centre in Tianjin; with the Group providing not only visual branding elements, but fixtures, hardware, software and all digital and interactive elements. Tiens has now also appointed the Group to handle their global branding strategy and execution.

This year also saw this segment's first involvement with the art world, with our provision of all visual branding and decorative elements for the 150,000 square-metre Fuzhou Strait Culture and Art Centre. We also handled the interior design and fit-out for the official retail flagship store of DJI, the unmanned aerial vehicle technology company, located in the central business district of Nanjing. This store was designed as a seamless combination of technology and practicality — with visitors even able to fly drones in store's flight test area.

Our strategy of strengthening our presence in other industry sectors and developing new revenue streams continued to produce tangible results this year. This business segment has proven its ability to sustain revenue through difficult financial times; and this year was no exception as our enduring reputation in the automotive sector enabled us to benefit from emerging customer demand for products related to the growing environmentally-friendly transportation sector, as a number of new brands and new energy-related products came to market. Xiaopeng Motors (XPENG), an electric car start-up backed by the Alibaba Group, appointed us as their design consultant for the development of their brand experience centres and showrooms in China.

During the year under review, we gained a number of contracts from both new and existing automotive clients. We provided services to Bentley, Infiniti, Jaguar Land Rover and Rolls-Royce in China and across Asia-Pacific; we also handled projects for Mercedes-Benz in China and India. We continued to fulfill our contracts for BMW, Brilliance Auto, Dongfeng Citroën, Dongfeng Peugeot, GAC Fiat Chrysler, Lexus, Lincoln, Nissan, SAIC General Motors (SGM) and Volkswagen for the China market. We also handled brand signage exports for General Motors in the Middle East and Russia, Peugeot in Asia Pacific, Renault in Japan, and Rousseau in France.

In the hotel sector, we continued to provide services for Hilton, the InterContinental Hotels Group (IHG) and the Kunming Ramada Hotel in China this year; with more contracts to be fulfilled in the 2019 financial year.

Museum, Themed Environment, Interior and Retail

This segment accounted for HK$359 million (2017: HK$297 million) or 7.8% (2017: 7.5%) of total Group revenue in the 2018 financial year. Segment profit was HK$30.5 million (2017: HK$20.7 million).

Since 2014, we have been working with Chinese real estate and entertainment giant Wanda to create movie parks across China. On top of the completion of contracts in previous years for Wanda movie parks in Guangzhou and Nanchang, during the year we further fulfilled our design and build contracts for one of the featured recreational facilities in Qingdao. This park is part of the 400-acre complex called Qingdao Oriental Movie Metropolis. For the park in Wuxi, the design contracts were completed in 2018, while the construction contracts continued through 2019. We will continue to provide design services for other movie parks in Chongqing, Jinan and Kunming through the 2019 financial year.

This year, we completed design and fabrication services for the exhibition centre at the Six Flags Theme Park in Haiyan, China. Our knowledge and expertise in creating immersive visitor experiences also led to the successful completion of several other significant projects in China during the year, including Explorium 2.0 in Shanghai, the Li Shizhen Memorial Museum in Hubei, Northcom showrooms in Beijing, Shanghai and Shenzhen, and The Walking Dead theme parks in Beijing and Nanjing.

The revamp of the Sustainable Singapore Gallery was completed in this financial year. Meanwhile in Thailand, construction of the Rama IX Museum is being conducted by our key associate company, Pico (Thailand) Public Company Limited, and is proceeding towards a completion date of March 2019; this date was postponed due to a delay in the availability of the site.

In the Middle East, significant projects completed during the year include Dubai's Abras Floating Market, the renovation of two halls at the Kuwait International Fairground and the 2,000 square-metre interior fit-out of the Expo 2020 Dubai's Visitor Centre.

Other major projects completed during the financial year:

1. China Mobile Big Connectivity Innovation Experience Centre in Wuxi
2. ENFI China Mining Innovation Centre in Beijing
3. Huawei showrooms in Nanjing and Shenzhen
4. Lenovo showroom in Indonesia
5. LINE FRIENDS Pop-up Store in Los Angeles
6. NEC Open Innovation Centre in Singapore
7. New Hope Group Branding Hall in Beijing
8. Sci-Kids Discovery Gallery in Terengganu, Malaysia
9. Sinograin headquarters showroom in Beijing
10. YSL retail store in Dubai

Conference and Show Management

During the 2018 financial year, this segment accounted for HK$86 million (2017: HK$145 million) or 1.9% (2017: 3.6%) of the total Group revenue. Segment profit was HK$20.1 million (2017: HK$26.5 million).

The overall performance of this business segment remained stable, with the South Asia region continuing to be a key market. However, the segment's revenue was lower this year than in the previous financial year due to the successful delivery of several one-off events in regions outside South Asia in the 2017 financial year.

Our expertise was called upon to deliver several high-level international summits this year. In mid-2018, the Group was appointed to handle the globally-focused DPRK-USA Singapore Summit attended by the President of the US and the Supreme Leader of the Democratic People's Republic of Korea, requiring the highest possible levels of security and extremely rigorous logistics arrangements. Our responsibilities ranged from event management to technical support and infrastructure build-up services, which included turning the 23,000 square-metre space of the Singapore F1 Pit Building into a fully functioning International Media Centre with a broadcasting centre, stand-upper setups, live cross stages, media briefing rooms and 2,000 work stations for more than 3,000 media reporters from around the globe. We were entrusted with managing the operation of the centre 24 hours a day during the summit.

We were also appointed to handle Singapore's ASEAN chairmanship and its related meetings in 2018. These events, running from February to November, attracted a total of 22,550 attendees from the 10 member states. During the meetings, the delegates tackled a wide range of on-going and future challenges common to the member countries regarding defence, finance, transportation, economic development and business and investment, with a view to building resilience and innovation across the association.

The Group was also involved in History Con, a massive entertainment convention tied to the world-famous History Channel and held in Manila. The Group also fulfilled the third year of our five-year contract with the EU Business Avenues in Southeast Asia programme. This initiative is funded by the European Union to help European companies establish long-lasting business collaborations in the region. This year, using Singapore as a hub, we delivered several "business missions" for the programme in Bangkok, Ho Chi Minh City, Jakarta, Kuala Lumpur, Manila and Singapore. These missions included Environment and Water Technologies, Green Energy Technologies, Healthcare and Medical Technologies, Information and Communication Technologies, and Organic Food and Beverage.

A number of recurring shows we delivered this year include the China Machinery and Electronic Brand Show (Philippines), the Hotel Suppliers Show, Manufacturing Technology World, Pack Print Plas Philippines, Philconstruct and Systems Integration Philippines in various cities across the Philippines; Food Japan, the International Furniture Fair, LTA-UITP Singapore International Transport Congress and Exhibition (SITCE) and Pet Expo in Singapore; Myanmar Security Expo in Yangon; and Incentive Travel and Conventions, Meetings China in Shanghai.

Other major projects completed during the financial year:

1. The 26th AFAD Defense and Sporting Arms Show in Cebu and Manila

2. Asia Golf Tourism Convention in Manila

3. HVAC/R Philippines in Cebu, Davao and Manila

4. Philippines International Furniture Show in Manila

5. Philippine Mechanical Equipment and Systems Exhibition in Manila

6. Singapore Summit in Singapore

7. TechLaw.Fest in Singapore

8. Thailand Week in Manila

Financial Position

As at year end date, total net tangible assets of the Group decreased by 5.4% to about HK$1,624 million (2017: HK$1,717 million).

Bank and cash balances amounted to HK$884 million (2017: HK$1,105 million), with HK$13 million pledged bank deposits (2017: HK$5 million). Deducting interest bearing external borrowings from cash and bank balances, the net cash balance was HK$775 million (2017: HK$1,024 million).

Total borrowings were at HK$109 million at October 31, 2018 (2017: HK$81 million). Borrowings are mainly denominated in Great Britain pound, Hong Kong dollars, United States dollars, New Taiwan dollars and Korean won, and the interest is charged on a fixed and floating rate basis.

	2018	2017
	HK$' million	*HK$' million*
Bank and cash balances	**871**	1,100
Pledged bank deposits	**13**	5
Less: Borrowings	**(109)**	(81)
Net cash balance	**775**	1,024

For the year ended October 31, 2018, the Group invested HK$133 million (2017: HK$62 million) in purchase of property, plant and equipment and investment properties; HK$105 million (2017: HK$193 million) in intangible assets through the acquisition of subsidiaries. All these were financed from internal resources and bank borrowings.

The Group has HK$16 million (2017: HK$76 million) long-term borrowings at October 31, 2018. The current ratio was 1.42 times (2017: 1.57 times); the liquidity ratio was 1.38 times (2017: 1.51 times); and the gearing ratio was 0.39% (2017: 1.91%).

	2018	2017
Current ratio (current assets/current liabilities)	**1.42 times**	1.57 times
Liquidity ratio (current assets — excluding inventory and contract work in progress/current liabilities — excluding contract work in progress)	**1.38 times**	1.51 times
Gearing ratio (long-term borrowing/total assets)	**0.39%**	1.91%

Although our subsidiaries are located in many different countries of the world, over 79% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and United States dollars, and the remaining 21% were denominated in other Asian currencies and European currencies. We are already diversified in many different currencies, and the major Asian currencies have been quite stable throughout the year, the Group's exposure to foreign exchange risk is minimal. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees and Emoluments Policies

At October 31, 2018, the Group employs over 2,000 staff engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. The staff costs incurred in the year were about HK$865 million (2017: HK$731 million).

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

Pledge of Assets

At October 31, 2018, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	2018	2017
	HK$'000	*HK$'000*
Freehold land and buildings	**55,571**	11,524
Leasehold land and buildings	**123,085**	133,455
Pledged bank deposits	**12,711**	4,947
Guarantee deposits	**2,747**	5,444
	194,114	155,370

Contingent Liabilities

Financial guarantees issued

At October 31, 2018, the Group has issued the following guarantees:

	2018	2017
	HK$'000	*HK$'000*
Performance guarantees		
— secured	**63,738**	57,140
— unsecured	**21,965**	22,578
	85,703	79,718
Other guarantees		
— secured	**45,056**	2,178

At October 31, 2018, the Executive Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

Capital Commitments

	2018	2017
	HK$'000	*HK$'000*
Capital expenditures in respect of property, plant and equipment and other investment		
— contracted but not provided for	**17,379**	31,732
— authorised but not contracted for	**2,213**	4,711
	19,592	36,443

OUTLOOK

The solid growth the Group has experienced over the past few years pays testimony to our vision of transforming our business model ahead of our competition and in advance of any changes to the market. In both profitable times and lean times, we continuously initiate forward-looking and proactive strategies and implement client base diversification across all our business segments to make us less vulnerable to the cyclical nature of our business.

Our Pico+ strategies are successfully broadening our revenue stream. Our new Pico X strategies and our on-going digital transformation should enable our company to capture the emerging opportunities presented by Generation Z and generate sustained growth in the years to come.

Meanwhile, our business activities continue at a record pace with a host of projects on-going and coming up in all our business segments. In November 2018, at the start of our new financial year, we provided exhibition marketing services to ten car brands, including Dongfeng Peugeot, DS Automobiles, GAC Fiat Chrysler, Lexus, Lynk & Co, Maserati, NIO, Nissan, Toyota and Venucia at Auto Guangzhou 2018. Several other motor show projects were completed at the start of the 2019 financial year, including the Kuala Lumpur International Motor Show and the Singapore Motorshow in December 2018, and the Saudi International Motor Show in January 2019. We have also confirmed that we will provide services for Cadillac, Lexus and Škoda Auto at Auto Shanghai in April, further bolstering our strong reputation for activating automobile brands at tier-one international motor shows, especially in China.

At CES held in January 2019 in Las Vegas, we handled activations for Alibaba, Dayton, HTC VIVE, Huawei, iFLYTEK and Japanese brands like Daiko and Sekisui. In the UAE, we are the event partner for the 12-day Mother of the Nation Festival to be held in March in Abu Dhabi.

Our long track record in delivering world-class art exhibitions has allowed the Group to establish strong relationships with art fair organisers over the past ten years, further strengthening our reputation in the art world. In the most recent of these, we were appointed to handle a new art exhibition called Taipei Dangdai, held in January 2019, while in Singapore, we are in discussions to launch a similar large-scale art event. In addition, we have once again been appointed to handle Art Central and the Affordable Art Fair in Hong Kong in 2019.

We have also been appointed to handle several multi-year biennial shows in Singapore, namely IMDEX Asia, Rotorcraft Asia, Singapore Airshow and Unmanned Systems Asia, with agreements starting in 2018 and running through to 2026.

We will continue to pursue opportunities to launch more events in which the entirety of the event's intellectual property is owned by Pico; as we own the events, we will be able to grow and commercialise them to generate future income. One example is the Prudential Marina Bay Carnival in Singapore, the second edition of which started in December 2018 and will run until April 2019.

Another example comes from the Philippines where our success with our Hotel Suppliers Shows in the last financial year has led to further shows in Cebu and Manila in 2019, including an extension to Cagayan de Oro in Mindanao.

For other mega-events, we are committed to managing the i Light Marina Bay Sustainable Light Art Festival in Singapore through at least 2020 and will continue to provide event conceptualisation services. In April 2019, we will bring the Singapore Day event to Shanghai, our fourth time handling the Singapore Day outside the country.

Also in Singapore, we brought the nation's first semi-permanent outdoor multimedia themed attraction, Rainforest Lumina at the Singapore Zoo, to a one kilometre night walk trail. This project included numerous liaison works and the execution of the exhaustive engineering and electrical solutions necessary to prepare the site for this complex multimedia installation. The contract will last for three years and we are currently looking into rolling out similar projects to other cities in China and Southeast Asia region.

Our considerable experience in mega-activations and in forming strategic alliances will be important as our marketing efforts accelerate further in 2019. These alliances will create opportunities for joint pitches to new prospects and the exploration of business opportunities at spectacular upcoming mega-events like Expo 2020 Dubai, the Tokyo 2020 Olympics, UEFA EURO 2020, the Beijing 2022 Winter Olympics, the 19th Asian Games Hangzhou 2022 and more.

The Group also continued to expand its venue management capabilities in China, with the Jinjiang International Convention and Exhibition Centre ("Jinjiang CEC") being the next addition to our portfolio. Located in China's Fujian Province, the Jinjiang CEC will provide about 50,000 square metres of convention and exhibition space. The construction of the centre is expected to be completed by early 2020.

In terms of museums and theme parks, our work on a new Hollywood movie theme park in Beijing, scheduled to open in 2020, is progressing well. Our large-scale museum project in Oman, valued at several hundred million Hong Kong dollars, is also progressing on schedule and is expected to be completed in mid-2020.

In our Visual Branding Experiences segment, Tiens has appointed us to handle all visual branding experience requirements for Tiens Russia in the 2019 financial year. Our way-finding signage project for the world's largest airport – Beijing Daxing International Airport – will continue until the second half of 2019.

According to The World Bank's latest report, released in early January 2019, the global economic growth outlook for 2019 has dimmed and tightening financial conditions could trigger a downturn. We believe that the new strategies being implemented by Pico, such as the acquisitions being made in the US and elsewhere, will strengthen our capabilities for continued growth.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Friday, March 22, 2019 to Wednesday, March 27, 2019, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Thursday, March 21, 2019 in order to establish the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "Entitlement to AGM"). The record date for the Entitlement to AGM will be on Wednesday, March 27, 2019.

The Register of Members of the Company will be closed from Tuesday, April 2, 2019 to Thursday, April 4, 2019, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Monday, April 1, 2019 in order to establish the identity of the shareholders who are entitled to qualify for the final dividend (the "Entitlement to Final Dividend"). The record date for the Entitlement to Final Dividend will be on Thursday, April 4, 2019. The payment date for the Final Dividend will be on Monday, April 15, 2019.

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

During the year 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is always committed to maintaining high standards of corporate governance. During the year ended October 31, 2018, the Company has complied with the code provision (the "CG Code") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for the following deviations:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the year ended October 31, 2018.

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 audited consolidated financial statements.

DISCLOSURE OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under “Listed Company Information” and at the Company’s website http://www.pico.com.

The 2018 annual report of the Company containing financial statements and notes to the financial statements will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board
Lawrence Chia Song Huat
Chairman

Hong Kong, January 28, 2019

As at the date of this announcement, the Executive Directors of the Company are Mr. Lawrence Chia Song Huat, Ms. Jean Chia Yuan Jiun and Mr. Mok Pui Keung; the Independent Non-Executive Directors are Mr. Gregory Robert Scott Crichton, Mr. James Patrick Cunningham, Mr. Frank Lee Kee Wai and Mr. Charlie Yucheng Shi.