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, 2019

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, 2019, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended October 31, 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue	2	**5,016,710**	4,631,350
Cost of sales		**(3,491,469)**	(3,215,245)
Gross profit		**1,525,241**	1,416,105
Other income	3	**177,775**	86,862
Distribution costs		**(659,278)**	(589,828)
Administrative expenses		**(612,020)**	(534,813)
Impairment losses for trade and other debtors		**(12,706)**	(7,754)
Other operating expenses		**(29,533)**	(4,467)
Profit from core operations		**389,479**	366,105
Change in remeasurement of contingent consideration		**(41,820)**	(34,432)
Amortisation of other intangible assets arising from business combinations		**(30,982)**	(16,537)
Profit from operations		**316,677**	315,136
Finance costs	4	**(12,289)**	(4,067)
		304,388	311,069
Share of profits of associates		**14,349**	25,532
Share of profits of joint ventures		**15**	29
Profit before tax		**318,752**	336,630
Income tax expense	5	**(54,619)**	(63,468)
Profit for the year	6	**264,133**	273,162
Attributable to:			
Owners of the Company		**256,831**	271,508
Non-controlling interests		**7,302**	1,654
		264,133	273,162
EARNINGS PER SHARE	8		
Basic		**20.76 cents**	22.01 cents
Diluted		**20.76 cents**	21.98 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended October 31, 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**264,133**	273,162
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(774)**	(56,168)
Share of other comprehensive income of associates	**3,623**	(1,610)
Reserve reclassified to profit or loss on dissolution and disposal of subsidiaries	**122**	(814)
Cash flow hedges		
Loss arising during the year	**(11,721)**	–
Other comprehensive income for the year, net of tax	**(8,750)**	(58,592)
Total comprehensive income for the year	**255,383**	214,570
Attributable to:		
Owners of the Company	**248,166**	215,839
Non-controlling interests	**7,217**	(1,269)
	255,383	214,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At October 31, 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current Assets			
Investment properties		**142,590**	146,749
Property, plant and equipment		**702,517**	711,473
Prepaid land lease payments		**80,996**	85,055
Intangible assets		**622,933**	292,006
Interests in joint ventures		**565**	562
Interests in associates		**150,664**	158,958
Available-for-sale financial assets		**–**	1,324
Financial assets at fair value through other comprehensive income ("FVTOCI")		**3,842**	–
Deferred tax assets		**1,691**	1,686
Loan due from an associate		**9,223**	9,206
		1,715,021	1,407,019
Current Assets			
Inventories		**38,422**	64,138
Contract work in progress		**–**	51,941
Contract assets		**437,067**	–
Derivative financial assets		**6,496**	–
Debtors, deposits and prepayments	9	**1,381,122**	1,688,254
Amounts due from associates		**20,275**	22,062
Amounts due from joint ventures		**137**	–
Current tax assets		**4,736**	1,806
Pledged bank deposits		**15,822**	12,711
Bank and cash balances		**1,278,521**	871,048
		3,182,598	2,711,960
Current Liabilities			
Payments received on account		**–**	193,094
Contract work in progress		**–**	26,620
Contract liabilities		**86,656**	–
Creditors and accrued charges	10	**1,788,167**	1,480,674
Amounts due to associates		**5,381**	6,862
Amounts due to joint ventures		**736**	5,942
Current tax liabilities		**37,033**	42,993
Borrowings		**257,902**	92,906
Derivative financial liabilities		**12,832**	–
Contingent consideration		**21,259**	63,827
		2,209,966	1,912,918
Net Current Assets		**972,632**	799,042
Total Assets Less Current Liabilities		**2,687,653**	2,206,061

	2019	2018
	HK$'000	*HK$'000*
Non-current Liabilities		
Borrowings	**354,153**	15,882
Contingent consideration	**113,004**	146,759
Deferred tax liabilities	**65,193**	45,839
	532,350	208,480
NET ASSETS	**2,155,303**	1,997,581
Capital and Reserves		
Share capital	**61,901**	61,760
Reserves	**1,920,974**	1,850,681
Equity attributable to owners of the Company	**1,982,875**	1,912,441
Non-controlling interests	**172,428**	85,140
TOTAL EQUITY	**2,155,303**	1,997,581

NOTES:

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

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, 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(a) HKFRS 9 Financial Instruments; and

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of Hong Kong Accounting Standards ("HKAS") 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at November 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at November 1, 2018. The difference between carrying amounts as at October 31, 2018 and the carrying amounts as at November 1, 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) *Classification*

From November 1, 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at FVTOCI or fair value through profit or loss ("FVTPL"); and

– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment losses are presented as separate line item in the consolidated income statement.

– FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains (losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains (losses) in profit or loss in the consolidated income statement as applicable. Impairment losses (reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) *Impairment*

From November 1, 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debtors, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening retained earnings as at November 1, 2018 is as follows:

	Note	*HK$'000*
Reclassification of non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI	*(a)*	6,580
Increase in impairment losses for:		
– debtors and contract assets	*(b)*	(19,076)
– loan due from an associate	*(b)*	–
– amounts due from associates	*(b)*	–
Related tax		–
Adjustment to retained earnings from adoption of HKFRS 9 on November 1, 2018		(12,496)
Attributable to:		
Owners of the Company		(10,962)
Non-controlling interests		(1,534)
		(12,496)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at November 1, 2018.

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Equity investments	*(a)*	Available-for-sale	FVTOCI	1,324	1,279
Debtors	*(b)*	Loans and receivables	Amortised cost	1,442,301	1,424,706
Loan due from an associate	*(b)*	Loans and receivables	Amortised cost	9,206	9,206
Amounts due from associates	*(b)*	Loans and receivables	Amortised cost	22,062	22,062

The impact of these changes on the Group's equity is as follows:

	Effect on financial assets at FVTOCI reserve *HK$'000*	**Effect on retained earnings** *HK$'000*
Opening balance as at November 1, 2018 – HKAS 39	–	1,497,414
Reclassify non-trading equity investments from available-for-sale financial assets to financial assets at FVTOCI *(Note a)*	(6,625)	6,580
Opening balance as at November 1, 2018 – HKFRS 9	(6,625)	1,503,994

The effect on opening retained earnings is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at November 1, 2018 have not been impacted by the initial application.

The Group did not designate or derecognise any financial assets or financial liabilities at FVTPL as at November 1, 2018.

Notes:

(a) These equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. The Group elected to present in other comprehensive income changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, investment with a fair value of HK$1,279,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and a decrease in fair value of HK$45,000 was recognised in the financial assets at FVTOCI reserve as at November 1, 2018 and impairment loss of HK$6,580,000 was reclassified from retained earnings to financial assets at FVTOCI reserve as at November 1, 2018 on transition to HKFRS 9. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Debtors, loan due from an associate and amounts due from associates that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$17,595,000 in the allowance for impairment of these debtors was recognised in opening retained earnings as at November 1, 2018 on transition to HKFRS 9.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements as at November 1, 2018 results in an additional impairment allowance as follows:

	Note	*HK$'000*
Impairment allowance as at October 31, 2018 under HKAS 39		71,335
Additional impairment recognised as at November 1, 2018 on:		
– debtors, deposits and prepayments	*(b)*	17,595
– loan due from an associate	*(b)*	–
– amounts due from associates	*(b)*	–
– contract assets		1,481
Impairment allowance as at November 1, 2018 under HKFRS 9		90,411

Impairment losses/reversal of impairment losses related to debtors and contract assets are presented separately in the consolidated income statement. As a result, the Group reclassified allowance written back on bad and doubtful debts amounting to HK$3,947,000 and allowance for bad and doubtful debts amounting to HK$11,701,000, recognised under HKAS 39, from "other income" and "administrative expenses" respectively to "impairment losses for trade and other debtors" in profit or loss for the year ended October 31, 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, November 1, 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at November 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

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 adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from construction and short-term contracts under museum, themed environment, interior and retail; exhibition and event marketing services and conference and show management (see the accounting policy for revenue recognition in notes to the consolidated financial statements). However, the timing of revenue recognition for visual branding experiences is affected as follows:

Revenue from visual branding experiences is recognised when the customer takes possession of and accepts the brand signage. If the delivery of brand signage is a partial fulfilment of a contract with a series of delivery, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. A receivable is recognised by the Group when the brand signages are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Set out below is the impact of the adoption of HKFRS 15 on the Group.

There is no impact on the Group's opening retained earnings as at November 1, 2018.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended October 31, 2019, by comparing the amounts reported under HKFRS 15 in the consolidated statement of financial position with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to the year ended October 31, 2019 instead of HKFRS 15. This table shows only those line items impacted by the adoption of HKFRS 15:

		Amounts reported in accordance with HKFRS 15	**Hypothetical amounts under HKASs 11 and 18**	**Estimated impact of adoption of HKFRS 15**
		HK$'000	*HK$'000*	*HK$'000*
At October 31, 2019				
Consolidated statement of financial position (extract)				
Current Assets				
Debtors, deposits and prepayments	*(Note)*	1,381,122	1,816,888	(435,766)
Contract work in progress	*(Note)*	–	17,714	(17,714)
Contract assets	*(Note)*	277,630	–	277,630
Capitalised contract costs	*(Note)*	159,437	–	159,437
Current Liabilities				
Payments received on account	*(Note)*	–	86,656	(86,656)
Contract work in progress	*(Note)*	–	3,256	(3,256)
Contract liabilities	*(Note)*	86,656	–	86,656

The significant differences arise as a result of the changes in accounting policies described above.

Note:

Reclassifications were made as at November 1, 2018 to be consistent with the terminology under HKFRS 15:

Previously, contract balances relating to construction and short-term contracts were presented in the consolidated statement of financial position under "Trade debtors" and "Prepayments and deposits" (included in debtors, deposits and prepayments), or "Gross amounts due from customers for contract work" or "Gross amounts due to customers for contract work" (included in contract work in progress), or "Payments received on account". To reflect these changes in presentation, the Group has made the following reclassification adjustments as at November 1, 2018, as a result of the adoption of HKFRS 15:

Contract assets and capitalised contract costs are recognised in relation to construction and short-term contracts were previously presented as "Gross amounts due from customers for contract work" and certain amounts of "Trade debtors" and "Prepayments and deposits" respectively.

Contract liabilities for progress billing recognised in relation to construction and short-term contracts were previously presented as "Gross amounts due to customers for contract work" and "Payments received on account" respectively.

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, 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	January 1, 2019
Hong Kong International Financial Reporting Interpretation Committee ("HK(IFRIC)") – Int 23 Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures	January 1, 2019
Revised Conceptual Framework for Financial Reporting	January 1, 2020

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 HKFRS 16 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 16, 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 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.

The Group's future minimum lease payments under non-cancellable operating leases for its rented premises amounted to HK$219,223,000 as at October 31, 2019. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Exhibition and event marketing services	**3,888,329**	3,817,857
Visual branding experiences	**254,510**	368,036
Museum, themed environment, interior and retail	**729,780**	358,910
Conference and show management	**144,091**	86,547
	5,016,710	4,631,350

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 2(b).

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

(b) 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.

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 *HK$'000*	Visual branding experiences *HK$'000*	Museum, themed environment, interior and retail *HK$'000*	Conference and show management *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended October 31, 2019						
Revenue from external customers	**3,888,329**	**254,510**	**729,780**	**144,091**		**5,016,710**
Timing of revenue recognition						
At a point in time	**3,232,411**	**254,510**	**228,523**	**144,091**		**3,859,535**
Over time	**655,918**	**–**	**501,257**	**–**		**1,157,175**
Inter-segment revenue	**265,771**	**805**	**123,298**	**–**		**389,874**
Segment profits	**320,511**	**23,904**	**71,477**	**25,366**		**441,258**
Share of profits of associates	**4,488**	**–**	**–**	**9,861**	**–**	**14,349**
Share of profits of joint ventures	**15**	**–**	**–**	**–**	**–**	**15**
Interest income	**5,135**	**579**	**454**	**293**	**–**	**6,461**
Interest expenses	**11,172**	**–**	**–**	**1,117**	**–**	**12,289**
Depreciation and amortisation	**34,138**	**739**	**1,752**	**1,653**	**45,893**	**84,175**
Other material non-cash items:						
Impairment on club membership	**48**	**–**	**–**	**–**	**–**	**48**
Impairment of goodwill	**24,796**	**–**	**–**	**–**	**–**	**24,796**
Impairment on interests in an associate	**–**	**–**	**–**	**8,771**	**–**	**8,771**
Allowance for bad and doubtful debts	**18,892**	**–**	**8,276**	**682**	**–**	**27,850**
Additions to segment non-current assets	**33,383**	**843**	**2,142**	**13,142**	**379,041**	**428,551**
At October 31, 2019						
Segment assets	**2,970,421**	**294,442**	**551,993**	**185,538**		**4,002,394**
Segment liabilities	**1,929,382**	**130,511**	**378,011**	**67,923**		**2,505,827**
Interests in associates	**121,361**	**–**	**–**	**29,303**	**–**	**150,664**
Interests in joint ventures	**565**	**–**	**–**	**–**	**–**	**565**
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

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**5,406,584**	5,033,448
Elimination of inter-segment revenue	**(389,874)**	(402,098)
Consolidated revenue	**5,016,710**	4,631,350
Profit or loss		
Total profits of reportable segments	**441,258**	421,495
Unallocated amounts:		
Change in remeasurement of contingent consideration	**(41,820)**	(34,432)
Amortisation of other intangible assets arising from business combinations	**(30,982)**	(16,537)
Corporate expenses	**(49,704)**	(33,896)
Consolidated profit before tax	**318,752**	336,630
Assets		
Total assets of reportable segments	**4,002,394**	3,539,918
Unallocated amounts:		
Corporate motor vehicles	**5,142**	5,131
Properties	**275,929**	283,858
Goodwill and other intangible assets arising from business combinations	**607,727**	286,580
Deferred tax assets	**1,691**	1,686
Current tax assets	**4,736**	1,806
Consolidated total assets	**4,897,619**	4,118,979
Liabilities		
Total liabilities of reportable segments	**2,505,827**	1,821,980
Unallocated amounts:		
Contingent consideration	**134,263**	210,586
Current tax liabilities	**37,033**	42,993
Deferred tax liabilities	**65,193**	45,839
Consolidated total liabilities	**2,742,316**	2,121,398

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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Greater China	**2,706,372**	2,736,346	**624,596**	689,387
India, Malaysia, Singapore, the Philippines and Vietnam	**1,037,785**	1,122,706	**276,126**	368,338
Bahrain, Qatar and United Arab Emirates	**631,504**	286,975	**35,550**	36,783
The United Kingdom, the United States and Italy	**451,129**	285,292	**610,290**	8,844
Others	**189,920**	200,031	**2,474**	968
Consolidated total	**5,016,710**	4,631,350	**1,549,036**	1,104,320

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

	2019	2018
	HK$'000	*HK$'000*
Included in other income are:		
Dividend income from available-for-sale financial assets	**–**	4
Dividend income from financial assets at FVTOCI	**4**	–
Gain on disposal of property, plant and equipment	**395**	13,697
Interest income	**6,461**	5,908
Rental income	**35,602**	37,106
Income from sale of a show right partially	**7,861**	–
Extinguishment gain	**88,248**	–
Gain on bargain purchase	**2,268**	–

The gross rental income from investment properties for the year amounted to HK$4,909,000 (2018: HK$6,953,000).

The business combination results in a gain on bargain purchase because the consideration included an option value for the Group to acquire the remaining 49% of the shareholding in FUTR World Limited.

For the year ended October 31, 2019, both the Group and Not Ordinary Media, LLC's sellers agreed to revise the consideration downward, the extinguishment gain of HK$88,248,000 was reversed as other income.

For the year ended October 31, 2018, gain on disposal of property, plant and equipment included compensation of HK$12,651,000, 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

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**12,289**	4,067

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Profits tax for the year		
Hong Kong	**830**	1,900
Overseas	**52,788**	66,108
(Over) Under provision in prior years		
Hong Kong	**(986)**	(298)
Overseas	**2,520**	(992)
	55,152	66,718
Deferred tax	**(533)**	(3,250)
	54,619	63,468

Hong Kong profits tax is calculated at 16.5% (2018: 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.

On March 21, 2018, the Inland Revenue (Amendment) (No.7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/19. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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:

	2019	2018
	HK$'000	*HK$'000*
Profit before tax (excluding share of results of associates and joint ventures)	**304,388**	311,069
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**50,224**	51,326
Effect of different taxation rates in other countries	**(1,054)**	2,765
Tax effect of income that is not taxable	**(17,373)**	(13,316)
Tax effect of expenses that are not deductible	**12,365**	10,341
Tax effect of utilisation of previously unrecognised tax losses	**(2,322)**	(1,282)
Tax effect of tax losses not recognised	**12,538**	11,841
Deferred taxation on withholding tax arising on undistributed earnings of subsidiaries	**163**	111
Under (Over) provision in prior years	**1,534**	(1,290)
Others	**(1,456)**	2,972
Income tax expense	**54,619**	63,468

6. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**6,625**	5,857
Depreciation	**49,340**	49,198
Loss on disposal of property, plant and equipment	**969**	269
Loss on disposal of subsidiaries, net	**–**	287
Loss on disposal of associates	**–**	68
Operating lease rentals in respect of:		
Amortisation of prepaid land lease payments	**2,410**	2,543
Office premises	**41,088**	31,222
Equipment	**4,324**	3,582
Direct operating expenses of investment properties that generate rental income	**1,296**	3,285
Cost of inventories sold	**178,249**	165,116
Written off of bad debts	**5,042**	–
Allowance for bad and doubtful debts	**22,808**	11,701
Allowance for inventories	**–**	6
Amortisation of intangible assets		
– club membership (included in administrative expenses)	**8**	–
– show rights and software (included in administrative expenses)	**1,435**	779
– arising from business combinations	**30,982**	16,537
Net exchange loss	**6,372**	–
Impairment on club membership (included in administrative expenses)	**48**	8
Impairment on goodwill (included in other operating expenses)	**24,796**	–
Impairment on interests in an associate (included in administrative expenses)	**8,771**	4,442
Increase in remeasurement of contingent consideration	**41,820**	34,432
Decrease in net fair value of investment properties (included in administrative expenses)	**3,100**	–

	2019	2018
	HK$'000	*HK$'000*
and crediting:		
Gain on bargain purchase	**2,268**	–
Gain on disposal of property, plant and equipment	**395**	13,697
Gain on dissolution of subsidiaries, net	**8,099**	1,111
Gain on disposal of subsidiaries, net	**8,107**	–
Net exchange gain	**–**	851
Increase in net fair value of investment properties	**–**	7,092
Allowance written back on bad and doubtful debts	**15,144**	3,947

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.

7. DIVIDENDS PAID

	2019	2018
	HK$'000	*HK$'000*
2018 final dividend paid HK9.0 cents per share (2018: 2017 final dividend paid HK9.0 cents per share and special dividend paid HK5.0 cents per share)	**111,394**	172,896
2019 interim dividend paid HK4.5 cents per share (2018: 2018 interim dividend paid HK4.5 cents per share)	**55,710**	55,582
Total	**167,104**	228,478

A final dividend of HK9.0 cents per share for the year ended October 31, 2019 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:

	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share	**256,831**	271,508

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,237,126,455**	1,233,714,564
Effect of dilutive potential ordinary shares in respect of options	**239,294**	1,344,784
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,237,365,749**	1,235,059,348

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade debtors	**1,222,861**	1,470,431
Less: allowance for bad and doubtful debts	**(73,928)**	(57,310)
	1,148,933	1,413,121
Other debtors	**116,233**	43,146
Less: allowance for bad and doubtful debts	**(12,940)**	(13,966)
	103,293	29,180
Prepayments and deposits	**128,896**	245,953
	232,189	275,133
	1,381,122	1,688,254

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:

	2019	2018
	HK$'000	*HK$'000*
Less than 91 days	**843,815**	937,268
91 – 180 days	**184,780**	224,615
181 – 365 days	**97,427**	199,090
More than 1 year	**22,911**	52,148
	1,148,933	1,413,121

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 Arab 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, 2019	**78,734**	**27,556**	**33,403**	**524,769**	**77,163**	**123,354**	**56,184**	**227,770**	**1,148,933**
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, 2019, an allowance was made for estimated irrecoverable trade debtors of HK$73,928,000 (2018: HK$57,310,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

10. CREDITORS AND ACCRUED CHARGES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors	**491,460**	459,795
Accrued charges	**1,281,420**	1,002,512
Other creditors	**15,287**	18,367
	1,788,167	1,480,674

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

	2019	2018
	HK$'000	*HK$'000*
Less than 91 days	**366,551**	352,135
91 – 180 days	**50,627**	45,420
181 – 365 days	**30,495**	27,425
More than 1 year	**43,787**	34,815
	491,460	459,795

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 Arab 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, 2019	**56,660**	**4,353**	**17,191**	**286,105**	**37,903**	**36,751**	**24,942**	**27,555**	**491,460**
At October 31, 2018	52,626	12,164	10,709	270,848	28,886	27,180	30,418	26,964	459,795

BUSINESS REVIEWS AND PROSPECTS

Results

During the year under review, the Group reported total revenue of HK$5,017 million (2018: HK$4,631 million), representing an increase of 8.3% compared to the same period last year.

This year the Group celebrated our 50 year anniversary and reported another year of record-breaking revenue. We were able to sustain strong growth momentum despite operating in an increasingly tough environment. This continued growth in revenue can be attributed to the effectiveness of our Pico+ strategies and our resilient operating structure.

Earnings before interest, taxes, depreciation, amortisation and a change in remeasurement of contingent consideration (EBITDA) increased by 2.8% to HK$450.6 million (2018: HK$438.3 million).

Profit from core operations was HK$389.5 million (2018: HK$366.1 million), an increase of 6.4% compared to the same period last year.

Profit for the year attributable to owners of the Company decreased by 5.4% to HK$256.8 million (2018: HK$271.5 million). This decrease is mainly due to the increase in the change in remeasurement of contingent consideration, interest expenses and the amortisation of other intangible assets arising from business combinations due to the acquisition activities of the Group.

Dividend

The Directors recommend the payment of a final dividend of HK9.0 cents (2018: a final dividend of HK9.0 cents) per ordinary share. Together with an interim dividend of HK4.5 cents (2018: HK4.5 cents) per ordinary share, the total dividend for the year amounts to HK13.5 cents (2018: HK13.5 cents) per ordinary share, representing 65.0% of this year's basic earnings per share of HK20.76 cents (2018: HK22.01 cents).

Review Of Operations

As of October 31, 2019, the Group operated in 35 cities with 41 permanent offices.

During the period under review (also called 'this year' or 'this financial year' in this Business Reviews and Prospects), the Group continued to maintain our global reach while keeping a strong focus on Asia and particularly China. Our global network operation model remained dynamic and agile – and when opportunities arose, we worked closely to form project teams across geographical boundaries.

In March 2019, the acquisition of Local Projects, LLC, a marketing agency based in New York engaging in design and production services that integrate physical design with digital media, was successfully completed under MTM Choice Holdings LLC.

In June, the Group's acquisition of Infinity Marketing Team, LLC ('Infinity') in the US was completed. Servicing clients throughout the country, Infinity specialises in experiential events, exhibit environments, mobile marketing tours, digital marketing, event furnishings and brand marketing strategies.

The performance of all our recent acquisitions has been excellent with one exception, namely our US subsidiary, Not Ordinary Media, LLC ('NOM'), which did not meet expectations. We have taken steps to diversify its client base and accelerate the development of its proprietary software. The two original sellers were asked to step aside and agreed to revise the consideration amount downwards. The extinguishment gain was then reversed as other income. Due to the restructuring and transformation of NOM's client base to a well-diversified client portfolio, the Group has revised its cash flow forecasts for this cash generating unit. A proportional impairment loss on goodwill arose for this financial year. As a result, most of the extinguishment gain was offset by the underperformance and impairment loss on the goodwill of NOM.

We continuously implemented our digital transformation strategies this year, both externally for our clients and internally in our operations. Drawing on the latest and most appropriate technologies, we worked to develop innovative solutions for our clients. Internally, in addition to continual training to empower our people with new digital capabilities, we also invested in a unified IT system, named Power One, as we rolled out digitalisation across various Group functions. Power One includes automation and a centralised infrastructure used across our entire network, efficiently streamlining procedures and providing the whole Group with data analytic technologies and tools for customer relationship management and client retention.

Our centralised deployment centre model, which consolidates project management, procurement and production processes, saw tangible results in improving our gross margin in operations in Northern China and we are now rolling out this initiative to Southern China, including Hong Kong. In future, we see this model as a unique competitive advantage for the Group that creates value for all our stakeholders.

The diversity of our talented and inspired professionals, including people of different genders, ages, physical abilities, ethnicities and nationalities, is the driving force behind our 50 years of constant growth and success. This year, we had a global workforce of some 2,500 permanent staff working in 21 countries, with a gender ratio balanced at nearly 50:50 and over 70% of our workforce under the age of 40. The Group believes that attracting a pool of talent from the younger generation will be of significant importance to our future growth.

Review of Business

Geographical Review

Geographically, the Greater China region (including Mainland China, Hong Kong, Macau and Taiwan) accounted for 53.9% (2018: 59.1%) of the Group's total revenue of HK$5,017 million (2018: 4,631 million).

South and Southeast Asia (including India, Malaysia, the Philippines, Singapore and Vietnam) accounted for 20.7% (2018: 24.2%); the Middle East, including Bahrain, Qatar and the United Arab Emirates, accounted for 12.6% (2018: 6.2%); while the United Kingdom, the United States and Italy accounted for 9.0% (2018: 6.2%). Other regions accounted for 3.8% (2018: 4.3%).

Business Segment Review

Exhibition and Event Marketing Services

During the period under review, revenue in the Exhibition and Event Marketing Services segment accounted for HK$3,888 million (2018: HK$3,818 million) or 77.5% (2018: 82.4%) of the Group's total revenue. Profit in this segment was HK$320.5 million (2018: HK$328.1 million).

This year our profit dropped in this segment, mainly due to fewer mega-events – in Hong Kong and the South Asia region – which usually have a better profit margin; and the fact that there are generally fewer exhibitions held in odd-numbered years.

The Group's solid foundation and strong capabilities enabled us to deliver a set of satisfactory results, which offsets the cancellation or postponement of several events in Hong Kong, including the Hong Kong Cyclothon and the Hong Kong Tennis Open. This year, we continued to win contracts as the official service provider for a number of exhibitions, representing a 5.5% increase over the last year.

These exhibitions included:

- The 100th China Food and Drinks Fair in Chengdu
- ASEAN Super 8, Kuala Lumpur International Motor Show, the Export Furniture Exhibition and the POWERGEN Asia in Kuala Lumpur
- Asia Fruit Logistica, Art Central, the Hong Kong International Jewellery Show, HOFEX Food and Hospitality Tradeshow, and the Global Sources trade shows in Hong Kong
- The Bangkok International Motor Show and Thailand International Motor Expo
- China International Machine Tool Show and the International Exhibition of Automobile Accessories, China in Beijing
- China International Sewing Machinery and Accessories Show, Salone del Mobile.Milano Shanghai, Automechanika Shanghai and Design Shanghai
- Cloud Expo Asia in Hong Kong and Singapore
- FinTech Abu Dhabi
- INDEX Qatar in Doha
- ProPak Vietnam and the Vietnam Saigon Textile and Garment Industry Expo in Ho Chi Minh City
- Singapore Motorshow and ITB Asia in Singapore

During the year, we won several new shows, including the inaugural China International Import Expo in Shanghai in November 2018, positioned as the world's first national-level import expo. Our success at the show led to further contracts for the second expo, held in November 2019. Similarly, our unique expertise in art shows in Hong Kong and Singapore contributed to winning a three-year contract for the brand-new Taipei Dangdai, the first art fair in Taiwan to feature an extensive line-up of international galleries. The first Taipei Dangdai show was completed in January 2019 and the second was held in January 2020.

The Group also delivered events during the year for such renowned brands as Alibaba Cloud, Audi, BBC, BMW, Canon, the Chinese Football Association Super League, Evian, Google, the Hong Kong Jockey Club, Huawei, IBM, JD, KPMG, LG, MAN Energy Solutions, Mercedes-Benz, Moët Hennessy, NHK, Porsche, PwC, Saudia Airlines, Tencent and Volvic, among many others.

Our Pico+ strategies continue to yield tangible results in terms of expanding our service offerings to existing clients and securing retainer contracts in digital marketing and interactive technology solutions and brand strategies. Clients for these services during the year included Bloomberg, DBS, DiDi, Facebook, Hormel, L'Oréal's Travel Retail, Lexus, NBA, Wemade Entertainment and Yonex. We also secured new contracts with some of these brands for 2020.

In Singapore, the seventh i Light Marina Bay Sustainable Light Art Festival was held in early 2019. Rebranded as 'i Light Singapore', this edition commemorated Singapore's bicentennial and featured a new attraction called TRANSPORTA, a fascinating look at science that was conceptualised, designed and created by Pico. We will continue our involvement with i Light Singapore in March 2020, as well as continue to market TRANSPORTA to other cities.

TRANSPORTA is an example of how the Group is working to expand our portfolio of shows and platforms for which we own the intellectual property. Another is Art-Zoo Inflatable Park, which was launched in Singapore in 2017 and subsequently completed a six-stop Asian tour and a trip to the Middle East. We also delivered the Children's Festival at Gardens by the Bay in Singapore, which attracted more than 500,000 visitors over a two-week period.

In the Middle East, we handled the Mother of the Nation Festival and celebratory events for the UAE National Day in Abu Dhabi; the Dubai Health Forum in Dubai; Bahrain National Day festivities, Mara'ee – the Bahrain Animal Production Show, the Middle East premiere of the Wizard of Oz Broadway musical and a series of events for the Bahrain Tourism and Exhibitions Authority in Manama; and the Hyundai Motor Park – Saudi Women Driving Campaign in various cities in Saudi Arabia.

In Las Vegas, at CES – the world-famous international consumer electronics and technology show – we repeated our success with activations for Alibaba Group, Baidu, Dayton, HiSilicon, HTC VIVE, Huawei, iFLYTEK and Sekisui House. In Barcelona, at the quadrennial ITMA – a trendsetting textile and garment technology trade show – we provided services for Adobe, CCI Tech Inc., Oerlikon, Picanol, Shima Seiki, Sonoco, Stäubli, Tsudakoma and Woolmark.

Other major events completed during this year included the e-Sports and Music Festival Hong Kong and the Hong Kong Pulse Light Festival; Singapore Day in Shanghai; the Armistice Centenary public art project at Remembrance Day in five cities in Queensland, Australia; and in Singapore, the National Steps Challenge, the Ultra Singapore electronic music festival, National Day Parade, and the Formula 1 Singapore Airlines Singapore Grand Prix.

Our sports event credentials also gained further strength this year. We completed the Cathay Pacific/HSBC Hong Kong Sevens, the HSBC Singapore Rugby Sevens and the HSBC Women's World Championship golf tournament in Singapore, the Mubadala World Tennis Championship in Abu Dhabi, and the Pan American Games Lima in Peru.

After one year of operation, the Yangon Convention Centre is gaining steady traction, illustrated by the increasing number of shows held in the second half of the year, which included the MESL: Road to SEA Games. Organised by the Myanmar Electronic Sports League, this national-scale event was the country's first-ever e-sports tournament. We have already contracted a number of recurring shows for the coming year, including the Myanmar International Plastics, Rubber, Printing and Packaging Industry Exhibition and the Yangon International Motor Show.

We continue to explore opportunities in exhibition hall management, with our expertise spanning design development from the pre-opening phase, to facilities and operations management and marketing ancillary services for revenue generation. Our new Jinjiang International Convention and Exhibition Centre in China is scheduled to open in April 2020. The inaugural show, the 22nd Jinjiang Footwear and the 5th Sports Industry International Exposition, China, is expected to use the Centre's entire 40,000 square metre of exhibition space.

Visual Branding Experiences

This segment accounted for HK$255 million (2018: HK$368 million) or 5.1% (2018: 7.9%) of the total Group revenue. Segment profit was HK$23.9 million (2018: HK$42.8 million).

The decrease in the revenue and profit in this segment came mainly from a decelerated expansion of our automobile clients, due to the dampened car market and slowing economy in Mainland China. During the year, our automobile clients in this segment included Cadillac, Ford, General Motors, Jaguar Land Rover, Jeep, Lexus, Lincoln, Mercedes-Benz, Nissan, Toyota, Trumpchi, Xiaopeng Motors and Volvo.

Outside China, we also handled brand signage exports across Asia, Europe, the Middle East and North America for carmakers including Bentley, Cadillac, Infiniti, Jaguar Land Rover, Mercedes-Benz, Peugeot, Rolls-Royce and the France-based signage company Rousseau.

Meanwhile, we successfully delivered comprehensive wayfinding signage for the Beijing Daxing International Airport – reportedly the world's largest single-structure airport terminal. In Singapore, our contract to provide signage services for attractions at the Jewel Changi Airport was also completed. For the 14,000 square-metre Canopy Park at Jewel's top level, we designed and created a signage system which included signs for attractions, ticketing kiosks and safety that fulfil functional and aesthetic considerations.

Both wayfinding projects have sharpened our competitive edge as we pursue further opportunities in national-scale public transport infrastructure and similar large-scale projects.

We also continued to provide visual branding solutions to brands from the hospitality, catering, retail, and finance industries. In addition to serving long-term clients such as Hilton, Holiday Inn and the Kunming Ramada Hotel, we gained new clients including Ajisen Ramen, Babi Food, Levi's, two-wheel electric vehicle manufacturer Yadea, and others.

Though we face an uncertain situation in the automobile sector in China, our longstanding commitment to client-based diversification strategies is enabling us to develop revenue streams in many industries across a wide geographical area, which currently spans Greater China, Asia Pacific, Europe, the Middle East and North America.

Museum, Themed Environment, Interior and Retail

This segment accounted for HK$730 million (2018: HK$359 million) or 14.5% (2018: 7.8%) of total Group revenue in the 2019 financial year. Segment profit was HK$71.5 million (2018: HK$30.5 million).

The increase seen in this segment was mainly due to the commencement of our large-scale museum project in Oman and our newly-acquired company, Local Projects, LLC, during this financial year.

In Japan, we delivered scenic show sets for a popular theme park in Chiba Prefecture near Tokyo. We also delivered a theming contract for the park in Penny's Bay in Hong Kong.

In China, since 2014, we have fulfilled a variety of extensive design and construction work contracts at Sunac theme parks (formerly known as Wanda parks) in several cities. This financial year, while completing contracts in various themed zones of some of these parks, the Group also won a new contract for a park in Jinan. We will continue to fulfil several on-going contracts in Chongqing and Wuxi through financial year 2020.

Elsewhere in China, we completed maintenance services for the main pavilion at the Jiangsu Horticultural Expo in Yangzhou and a design and construction contract for the New Era Health Industry Gallery in Yantai.

In Macau this year, we completed design, build and interactive hardware and software work for the Macao Science Centre.

The Rama 9 Museum, a multi-year mega-project, was completed by our key associate company Pico (Thailand) Public Company Limited and officially opened in December 2019. In Singapore, we finished our work on the State Courts Heritage Gallery in November 2019.

Other major projects completed during the financial year included:

- Eurasian Heritage Gallery in Singapore
- Heineken x 7-11 concept store ‘The Heineken Space’ in Taipei
- Huawei labs and showrooms in various cities in China
- McKinsey & Company learning centre in Kobe
- Midea showroom in Foshan
- Port City Colombo Visitor Centre in Colombo
- Singapore Public Utilities Board’s Deep Tunnel Sewerage System Project Gallery in Singapore

Conference and Show Management

This segment accounted for HK$144 million (2018: HK$86 million) or 2.9% (2018: 1.9%) of the total Group revenue. Segment profit was HK$25.4 million (2018: HK$20.1 million).

The overall performance of this business segment recorded growth, with the South Asia region continuing to be a key market.

Our delivery of high-level international summits continued this financial year. We provided a full spectrum of turnkey event management services for Singapore’s ASEAN summit and related events in November 2018. The Group also provided vital support to ancillary events, including the ASEAN Business and Investment Summit, the ASEAN Economic Community Council Meeting and related meetings, and the ASEAN Business Awards Gala Dinner.

The Group also fulfilled the fourth year of our five-year contract with the EU Business Avenues in South East Asia programme, an initiative funded by the European Union to help European companies establish lasting business collaborations in the region. Using Singapore as a hub, we delivered several ‘business missions’ for the programme this financial year in Indonesia, the Philippines, Singapore, Thailand and Vietnam. These business missions included Green Energy Technologies, Environment and Water Technologies, Information and Communication Technologies, Healthcare and Medical Technologies, and Organic Food and Beverage.

Recurring shows delivered during this year included Beijing InfoComm China; Incentive Travel and Conventions, Meetings China in Shanghai; the Hotel Suppliers Show, Manufacturing Technology World in various cities in the Philippines, Interior and Design Manila, the Philippines International Furniture Show and Thailand Week in Manila; and the International Furniture Fair Singapore, INTERPOL World and TechLaw.Fest in Singapore.

The Group also succeeded in adding value to recurring shows. At the annual PetExpo Singapore, we introduced a new digital solutions suite which enhanced exhibitors' client engagement and data analytics while impressing visitors with a unique personal experience.

In January 2019, the Group acquired a significant stake in FUTR World Limited, a global trends, innovation and summit business exploring the future of retail, marketing and commerce in Asia, Europe and the US. In October 2019, the FUTR Asia Summit was launched in Singapore, enabling brands and retailers from across the digital, marketing, e-commerce, customer experience, retail, and innovation sectors to engage with their customers.

Other major shows completed during the financial year were:

China

- Vinexpo Shanghai

The Philippines

- China Machinery and Electronic Brand Show (Philippines) in Manila
- Food and Beverages Suppliers Show Visayas and Mindanao
- Franchise Asia Philippines Expo in Manila
- Pack Print Plas Philippines in Manila
- Print and Label Visayas and Mindanao
- Philconstruct Luzon, Visayas, Mindanao and Manila
- Transport and Logistics Philippines in Manila

Singapore

- Big Data and AI Asia Conference and Exhibition
- Binance Blockchain Week
- Ministry of Trade and Industry meeting
- New Economic Forum
- Singapore Regional Business Forum and Singapore Regional Infrastructure Summit

The UK

- FUTR Europe Summit in London

Financial Position

As at year end date, total net tangible assets of the Group decreased by 16.0% to about HK$1,360 million (2018: HK$1,620 million).

Bank and cash balances amounted to HK$1,294 million (2018: HK$884 million), with HK$16 million pledged bank deposits (2018: HK$13 million). Deducting interest bearing external borrowings from bank and cash balances, the net cash balance was HK$682 million (2018: HK$775 million).

Total borrowings were at HK$612 million at October 31, 2019 (2018: HK$109 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. The Group's bank loans of HK$185,000 (2018: HK$189,000) carry fixed interest rate.

	2019	2018
	HK$' million	*HK$' million*
Bank and cash balances	**1,278**	871
Pledged bank deposits	**16**	13
Less: Borrowings	**(612)**	(109)
Net cash balance	**682**	775

For the year ended October 31, 2019, the Group invested HK$41 million (2018: HK$133 million) in property, plant and equipment and investment properties through purchase and acquisition of subsidiaries; HK$388 million (2018: HK$105 million) in intangible assets including purchase and development of software, and other intangible assets through acquisition of subsidiaries. All these were financed from internal resources and bank borrowings.

The Group has HK$354 million (2018: HK$16 million) long-term borrowings at October 31, 2019. The current ratio was 1.44 times (2018: 1.42 times); the liquidity ratio was 1.42 times (2018: 1.38 times); and the gearing ratio was 7.23% (2018: 0.39%).

	2019	2018
Current ratio (current assets/current liabilities)	**1.44 times**	1.42 times
Liquidity ratio (current assets – excluding inventory and contract work in progress/current liabilities – excluding contract work in progress)	**1.42 times**	1.38 times
Gearing ratio (long-term borrowing/total assets)	**7.23%**	0.39%

Although our subsidiaries are located in many different countries of the world, over 74% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and United States dollars, and the remaining 26% 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 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.

The Group entered into foreign currency forward contracts to mitigate currency exposure of significant future transactions and cash flows in foreign currency. At the end of the reporting period, the notional amounts of the outstanding foreign exchange forward contracts were GBP21 million (2018: nil).

Employees and Emoluments Policies

At October 31, 2019, the Group employs over 2,500 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$960 million (2018: HK$865 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, 2019, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

	2019	2018
	HK$'000	*HK$'000*
Freehold land and buildings	**55,913**	55,571
Leasehold land and buildings	**117,152**	123,085
Pledged bank deposits	**15,822**	12,711
Guarantee deposits	**–**	2,747
	188,887	194,114

Contingent Liabilities

Financial guarantees issued

At October 31, 2019, the Group has issued the following guarantees:

	2019	2018
	HK$'000	*HK$'000*
Performance guarantees		
– secured	**106,513**	63,738
– unsecured	**26,730**	21,965
	133,243	85,703
Other guarantees		
– secured	**27,709**	45,056

At October 31, 2019, 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

	2019 HK$'000	2018 HK$'000
Capital expenditures in respect of property, plant and equipment and other investment		
– contracted but not provided for	**9,645**	17,379
– authorised but not contracted for	**2,256**	2,213
	11,901	19,592

OUTLOOK

Despite the numerous challenges we experienced throughout the year, the set of results delivered by the Group reflects the effectiveness of our strategies designed to mitigate certain impacts of the cyclical nature of our business in odd-numbered years. We are continuing to work hard to be agile and provide strategies and solutions which cater to our clients' ultimate needs.

With our Pico+ strategies continuing to be a growth driver, the Exhibition and Event Marketing Services segment will continue to account for the majority of our business activities in the near term. Meanwhile, our Pico X digitalisation strategies will continue to create more value for our existing clients and attract new clients through the deployment of relevant technologies and data analytics.

The Group is scheduled to complete several major events in the coming financial year. Expo 2020 Dubai will be held from October 2020 to April 2021. Held once every five years, this universal exposition is a high-profile global event with many opportunities for the Group – not only in design and content development for country and corporate pavilions, but also in events, operations management and various activations, before and during the Expo period. We have already secured several contracts for the creation of pavilions including the Algeria, Malaysia, and UK Pavilions. In addition, we have secured overlay package contracts and a contract to provide visual branding and wayfinding services.

In Tokyo, a Pico-Nihon Kensetsu joint venture won a major overlay contract for the Archery venue at the Tokyo 2020 Olympic and Paralympic Games from July to September 2020, involving venue technical design and build, venue construction and delivery of more than 5,000 temporary seats.

We are also looking forward to delivering the Ultra Abu Dhabi electronic music festival, and the ARTCADE +65 interactive art event and the Hydeout music festival in Singapore. Other large-scale recurring projects will include the Children's Festival at Gardens by the Bay, i Light Singapore and the Singapore Airshow.

At CES held in January 2020 in Las Vegas, we completed activations for Dayton, Huawei, Koito, Kyocera and Sekisui House.

The second China International Import Expo was held in Shanghai in November 2019. We provided services for clients including Brother, DuPont, Fung Group, GE, HIWIN, Liebherr and Singapore Business Federation. We have also been appointed official service provider for the biennial ITMA Asia and CITME in Shanghai in October 2020.

For our Visual Branding Experiences segment, our continuing digital transformation and innovation strategy will drive new business. We are well placed to seize and build upon new opportunities emerging during the coming year, both within China and worldwide. So far we have confirmed a design contract with the Shanghai Volkswagen Brand Experience Centre in Shanghai; contracts for visual identity services for 150 stores for Haidilao Hot Pot, a major catering brand, across various cities in China, and several stores for Cainiao – Alibaba's global logistics platform – in Southern China.

For our Museum, Themed Environment, Interior and Retail segment, our large-scale museum project in Oman and design and build contracts for Hollywood movie theme parks in Beijing and Osaka are scheduled to be completed by December 2020. We have also won new contracts with another popular theme park in Hong Kong in Penny's Bay which will run until November 2020.

In Singapore, our contract for the Bird Park and its arrival entrance in the Mandai precinct is expected to be completed in 2020. We will continue to deliver our three-year contract with Rainforest Lumina at the Singapore Zoo which runs until 2021. We are also helping to bring a unique travelling exhibition called STAR WARS Identities to the ArtScience Museum from March to September 2020.

The Group will also continue to expand our Conference and Show Management capabilities. Our major projects will include FUTR World Middle East Summit in Abu Dhabi; Incentive Travel and Conventions, Meetings China in Shanghai; the SG-ANZICS Asia Pacific Intensive Care Forum, the LTA-UITP Singapore International Transport Congress and Exhibition and PetExpo Singapore.

The performance of our acquisitions in the US and UK over the past two years mostly continues on track, with good results overall. We expect that these companies will make greater contributions to the Group beginning in the 2020 financial year.

According to a January 2020 World Bank report on global economic prospects, the global economic outlook for 2020 envisions a slow global growth and a high degree of uncertainty. However, the Group remains positive regarding our growth for the 2020 financial year, and will stay firmly focused on delivering the major events and projects scheduled for the year. We will continue to innovate our services, while strengthening our prudent cost controls and risk management strategies.

The Group will continue to evolve our main business lines whilst also looking for acquisition opportunities to strengthen our service capabilities and meet changing global trends as we continue to globalise our business. In doing so, we will be able to confidently face a challenging external environment, and continuously enhance our services to our clients, our performance-oriented culture and our profitability.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Tuesday, March 24, 2020 to Friday, March 27, 2020, 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, March 23, 2020 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 Friday, March 27, 2020.

The Register of Members of the Company will be closed from Thursday, April 2, 2020 to Tuesday, April 7, 2020, 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 Wednesday, April 1, 2020 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 Tuesday, April 7, 2020. The payment date for the Final Dividend will be on Wednesday, April 15, 2020.

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

During the year 2019, 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, 2019, 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, 2019.

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 2019 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 21, 2020

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.