

Lead with Knowledge

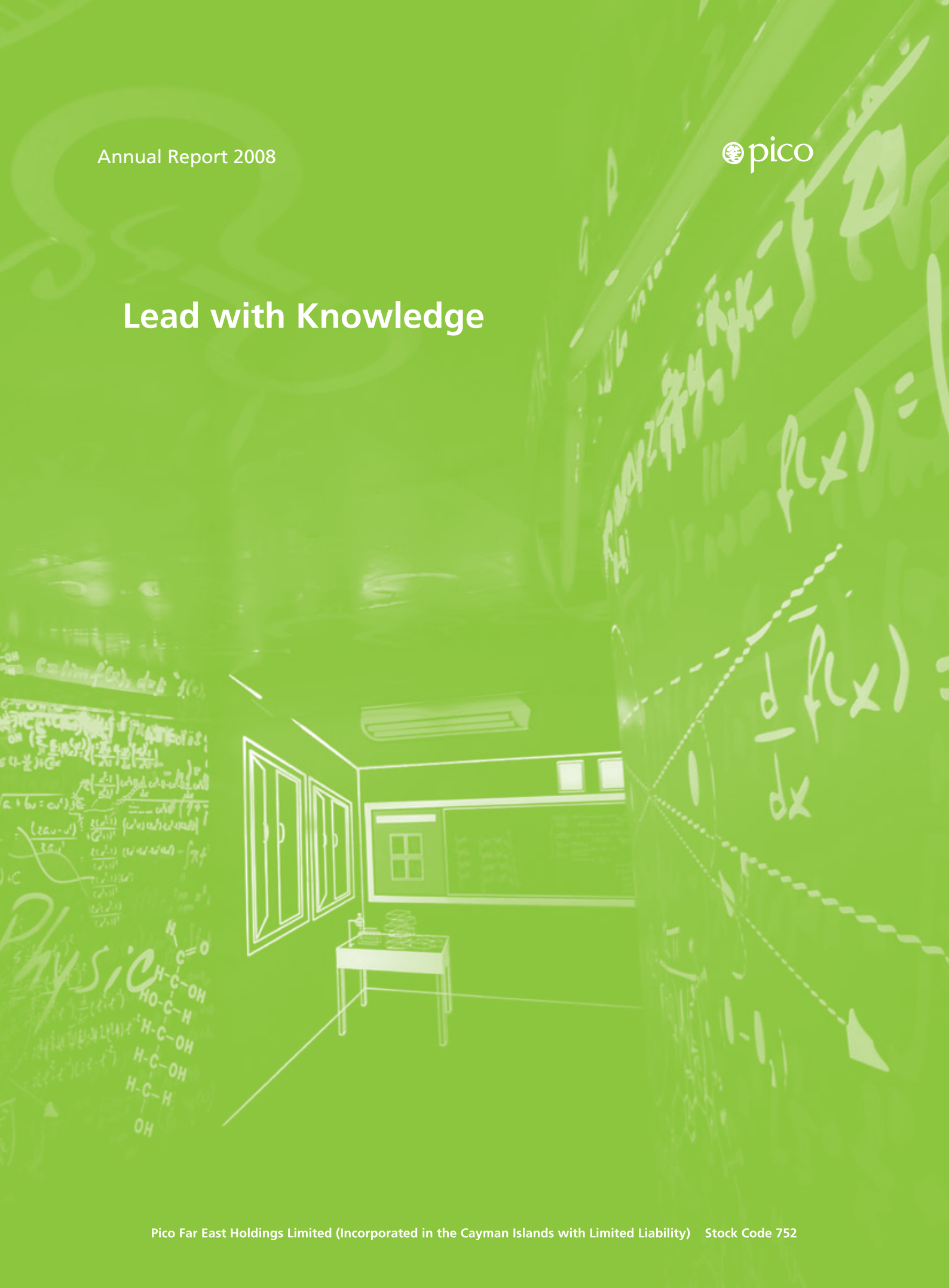


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Lead with Knowledge

While the world has irreversibly changed since we opened our doors for business as a stand builder in 1969, one thing has remained reassuringly constant. And that is our dedication to excellence, precision and innovation in the achievement of our clients' corporate and marketing objectives.

2008 was undoubtedly a challenging year. But we have successfully shown our transcendent capability to sustain meaningful growth against all odds in a period full of challenges across our core businesses.

With the long-term support of our valued clients, shareholders, staff, suppliers and other stakeholders, Pico has grown from a humble stand builder into one of Asia's – and now the world's – premier companies, providing total solutions for experiential marketing. Working from a network of 34 offices spanning 19 countries in five continents, some 2,400 talented permanent staff strive to consolidate our expertise and experience via Pico's unique Total Brand Activation process. By harnessing this core philosophy we achieve client targets while developing effective, efficient solutions.

Knowledge, training and technology have been key factors in our success. Entering the fifth decade of operation, our team is well placed to continue its tradition of excellence.

Corporate Information

HONORARY CHAIRMAN

Chia Siong Lim

BOARD OF DIRECTORS

Executive Directors

Lawrence Chia Song Huat (*Chairman*)

(*Chairman of the Remuneration Committee*)

James Chia Song Heng

Yong Choon Kong

Non-Executive Director

Frank Lee Kee Wai

(*Member of the Audit Committee*)

Independent Non-Executive Directors

Charlie Yucheng Shi

(*Chairman of the Audit Committee*)

Gregory Robert Scott Crichton

(*Member of the Audit Committee and the Remuneration Committee*)

James Patrick Cunningham

(*Member of the Audit Committee and the Remuneration Committee*)

COMPANY SECRETARY

Leung Hoi Yan (CPA, ACIS, ACS, FCCA)

AUDITOR

RSM Nelson Wheeler

PRINCIPAL BANKERS

Bank of East Asia

CITIC Ka Wah Bank

Development Bank of Singapore

Hongkong and Shanghai Banking Corporation

Industrial and Commercial

Bank of China (Asia) Ltd

KBC Bank N.V.

Maybank

Mizuho Bank Ltd

Standard Chartered Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd

United Overseas Bank

CORPORATE OFFICE

Pico House

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Tai Po Industrial Estate

New Territories

Hong Kong

REGISTERED OFFICE

Kirk House

P.O. Box 309

Grand Cayman

Cayman Islands

British West Indies

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Harbour Trust Co., Ltd

One Capital Place

P.O. Box 1787 GT

Grand Cayman

Cayman Islands

British West Indies

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Union Registrars Limited

Room 1901-02

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Wanchai

Hong Kong

CORPORATE CALENDAR

| | |
|---------------------------------|-----------------|
| Annual General Meeting | March 19, 2009 |
| Payment of Final Dividend | April 8, 2009 |
| Announcement of Interim Results | June/July, 2009 |
| Announcement of Final Results | January, 2010 |

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Chairman's Statement

I am pleased to present to our shareholders, the annual report of Pico Far East Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended October 31, 2008.

RESULTS

The Group continued to deliver record turnover and earnings for the year ended October 31, 2008.

Turnover for the year was up 22.4% to HK\$2,631 million (2007: HK\$2,149 million). Profit for the year attributable to equity holders was up 16.4% to HK\$170 million (2007: HK\$146 million) while earnings per share were up 16.4% to HK14.18 cents (2007: HK12.18 cents).

Earnings before interest, tax, depreciation and amortisation were up 20.1% to HK\$263 million (2007: HK\$219 million). Cash flow of HK\$315 million (2007: HK\$224 million) was generated from operations, and the Group ended the year with a net cash balance of HK\$526 million (2007: HK\$431 million).

FINAL DIVIDEND

The Directors now recommend the payment of a final dividend of HK2.0 cents per ordinary share (2007: HK3.5 cents per ordinary share). Together with the interim dividend of HK3.5 cents per ordinary share (2007: HK3.5 cents per ordinary share), the total dividend for the year amounted to HK5.5 cents per ordinary share (2007: HK7.0 cents per ordinary share). The final dividend will be payable on Wednesday, April 8, 2009 to shareholders on the register of members of the Company on Thursday, March 19, 2009.

REVIEW OF OPERATIONS

The Group began the year on a path of business uncertainty following the sub-prime crisis that emerged in the United States in the second half of 2007, which escalated to devastating effect and spread across the world in the second half of 2008. Financial experts are still debating how long this crisis will last: while some say one more year, others predict another two to three. Amid this gloomy world economic outlook, there is little doubt that

the year the Group has just passed has been a difficult one in business terms. Like any company committed to staying relevant in the increasing uncertainties of today's business environment, we continue to conduct our affairs but remain ever vigilant to the fact that the ongoing crisis has substantially increased business risk.

The good financial results achieved last year, therefore, are commendable. They were achieved by the collective efforts of our staff and management under extremely stressful macro business conditions not seen by the Group before outside of the Asian financial crisis of 1997. To a large extent, the 1997 Asian financial crisis and the 2003 SARS crisis inoculated and prepared us to withstand crises of similar proportions; indeed, the sudden and extreme nature of the current credit crunch would challenge the *raison d'être* of the best companies even in normal times. The Group began the year under review with a healthy net cash position and has ended the year with an even higher net cash position despite the fact that the Group paid a total dividend of HK\$83,734,000 during the financial year. Our financial position remains strong and we intend to conserve cash until the financial industry recovers its equilibrium and financial institutions begin to conduct business in a normal manner once more.



Beijing Olympic 2008 - Equestrian Events in Hong Kong

Chairman's Statement

A synopsis of the four primary business segments of the Group follows:

1. Exhibition and Event Marketing Services

It is our largest business segment accounting for 83.5% of the Group's turnover (2007: 82.1%). We have a diversified portfolio of exhibition clients and no single client accounts for more than 5% of the Group's total turnover.

For many years, we have been appointed by organisers of major trade shows as official service provider of technical services in exhibition venues which include the supply of standard exhibition booths. We are also engaged by individual exhibitors that do not hire standard exhibition booths to custom design and fabricate their exhibition stands. Our services extend to many prestigious trade shows in many countries and across diverse industries.

We have been appointed official service provider by organisers for a diversity of trade shows during the year:

1. Langkawi International Maritime & Aerospace in December 2007
2. Singapore Airshow in February 2008



2008 FORMULA 1™ SingTel Singapore Grand Prix

3. Auto China in April 2008 in Beijing
4. China Sourcing Fairs in April and October 2008 in Hong Kong and in June 2008 in Dubai
5. SEMICON Singapore in May 2008 and SEMICON Taiwan in September 2008
6. The 22nd China International Sporting Goods Show in June 2008 in Beijing
7. Vietnam Computer Electronics World Expo in July 2008 in Ho Chi Minh City
8. National Science & Technology Fair in August 2008 in Bangkok
9. ITU Telecom Asia in September 2008 in Bangkok
10. Hong Kong Jewellery and Watch Fair in September 2008

In addition to providing services to organisers, multinational corporations and government bodies have retained our services to build their stands at various exhibitions. These include:

1. Nortel at International Association for the Wireless Telecommunications' CTIA Wireless in Las Vegas and Global Connect in Stuttgart
2. Volkswagen, Peugeot and Mazda at various car shows in China
3. NEC and Japan pavilion at ITU Telecom Asia in Bangkok
4. Raytheon at Pacific 2008 and Singapore Airshow 2008
5. Mercedes-Benz, Ford and Chevrolet at Bangkok International Motor Show
6. Wells Fargo, Kohler and Toshiba at various exhibitions in North America
7. Panasonic, Mubadala, Qatar Airways and Qatar Petroleum at various exhibitions in the Middle East
8. Taiwan External Trade Development Council's Taiwan pavilions at various exhibitions in Europe

Chairman's Statement

Our services also extend to the supply of temporary facilities for national celebrations and sports events. During the year, we successfully completed a number of projects for the 2008 Beijing Olympics in tandem with a variety of services related to national sporting bodies such as the Korea Olympic Committee and the Equestrian Events (Hong Kong) of the Games of XXIX Olympiad. We also provided a variety of services such as design and interior decoration for pavilions and showcases for major sponsors such as Coca-Cola, Volkswagen, China Mobile, China Netcom, Bank of China, Lenovo, Samsung, McDonald's, Nike, NBA, Deutsche Bank and DB Schenker, and in addition to constructing temporary facilities and fit-outs for the studios for renowned TV broadcasting companies like Nippon TV, TV Asahi and TV Azteca. In addition to our involvement with events in Beijing and Qingdao, we successfully handled the look programme and delivered

wayfinding signage for competition venues as well as Olympic villages and train stations for the Olympic and Paralympic Equestrian Events in Hong Kong.

We also handled other major events include designing and building Malaysia and Qatar Pavilions at World Expo 2008 in Zaragoza, setting up temporary grandstand seating and hospitality suites for the 2008 FORMULA 1™ SingTel Singapore Grand Prix circuit, building 36-metre orchestra pit, lighting and audio towers on a floating platform for the Singapore National Day Parade, MasterCard Luxury Week event in Hong Kong, Motorola and Nortel events in North America, Samsung and Toyota road shows in Ho Chi Minh City, Chevrolet events in Malaysia and Thailand, HSBC golf events in Shanghai and Singapore, Mercedes-Benz events in Taiwan and Thailand, Nissan events in Thailand, Rolex event in Shanghai, Skyworth event in Shenzhen, Industrial and Commercial Bank of China Macau branch grand opening, Sutasi events in Ho Chi Minh City and Seoul, Prince Mohammed Bin Fahd University and Arabian Gulf University events in Bahrain, and Bacardi Travel Retail's events in Dubai, Singapore, Sydney and Europe.

The Group's extensive global reach and industry coverage is made possible by an established international network of 34 offices in 19 countries. In addition, we utilise 17 production facilities occupying a gross area of some 100,000 square metres in Atlanta, Beijing, Chennai, Dongguan, Dubai, Ho Chi Minh City, Kuala Lumpur, Los Angeles, Nantong, New Delhi, Noida, Shanghai, Singapore and Taiwan.

2. Museum, Themed Environment, Interior and Retail

For the financial year ended October 31, 2008, our Museum, Themed Environment, Interior and Retail segment accounted for 7.5% of the Group's turnover (2007: 10.1%).



Museum of Siam, Bangkok

Chairman's Statement

In Asia, our associate company in Thailand completed the National Discovery Museum (Museum of Siam), Thailand Post Museum and IRPC Visitor Centre and History Museum. In Singapore, we completed the Land Transport Authority Visitor Centre, Public Utilities Board's Newater Visitor Centre and One North Visitor Centre at Fusionopolis.

In France, we have provided interior decorations for Benjamin Franklin at Musee des Arts et Métiers and Albertr Kahn at Musee Albert Kahn. In the U.S., we completed the Boise Watershed Environment Education Centre.

On the interior architecture side, the Group has completed many interior fit-out projects including GB Corp and Venture Capital Bank offices in Bahrain, Mary Kay and Motorola branding in North America, LG Dubai office, Samsung mobile showroom and Porsche showroom in Ho Chi Minh City, Ferrari showroom and GN Resound office in Seoul, China Mobile showroom in Chengdu, Royal Thai Consulate office in Dubai, Osim, Ferrari and See's Candies stores in Macau, KPMG and CPA Australia offices in Kuala Lumpur, Nokia showrooms in China, India, Singapore and Taiwan, Greenall corporate office in UK, 3M showroom and Jill Stuart retail counters in Taiwan, Civil Aviation Authority of Singapore's new entertainment centre and Friven showroom in Singapore, Sony Ericsson Discovery Centre in Sweden and Bacardi Travel Retail display worldwide.

3. Brand Signage and Visual Communication

This segment accounted for 7.1% of the Group's turnover (2007: 6.7%) during the year. With the continuing rise of consumerism in China, the expansion of the Brand Signage and Visual Communication segment continues unabated.

Turnover has grown by 30.5% during the year. This growth is derived primarily from the China and European markets.



Infiniti

During the year, the Chinese automobile sector remained robust for our signage business. We secured continuing business from Shanghai General Motors, Nissan, Infiniti, Mercedes-Benz, Ford, Mazda, Great Wall and Changan, inking new contracts for Chrysler, Jeep, Dodge, Jaguar and Land Rover China, Fiat China, Haima and GTMC.

Elsewhere, the Group secured business for Dacia in Europe, Citroën in France, Infiniti in EU and Nissan in UK.

The Group built on its success in the petrol station sector, completing signage for Total Sinochem and PetroChina Refinery in China. For the coming year, we have secured contracts for Total Sinochem and Sinopec in China, BP in Europe and Shell in the U.S..

Chairman's Statement

With the liberalisation of banking in China, and with more banks operating across the country, our business opportunities in this sector continue to look attractive. We have signed on-going contracts for building signage for Bank of China, Industrial and Commercial Bank of China, HSBC, Bank of East Asia, the Royal Bank of Scotland, ABN AMRO, Citibank and Societe Generale.

For many years, we have supplied signage for fast food chain giants like McDonald's, Dairy Queen and KFC in China, and will continue to provide services for McDonald's new corporate identity in China. For Dairy Queen, we will continue to supply signage and in-store menu board systems. For KFC, we will extend our signage supply in step with its expansion into southern China.

Other newly-acquired business includes AkzoNobel chemicals in the U.S., the InterContinental Hotels Group, JW Marriot and Ritz Carlton in China and IKEA in the Asia Pacific region.

To cater for increased demand, we have upgraded our production facilities in Beijing, Jiangsu and Shanghai province. With the opportunities emerging through the Chinese government's commitment to expanding the country's infrastructure, we are well placed to capture further business for railway stations, airports and MRT wayfinding signage.

4. Conference and Show Management

Conference and Show Management – operating as MP International Pte Limited ("MPI") – accounted for 1.9% of the Group's turnover (2007: 1.1%).



ITMA Asia + CITME, Shanghai

MPI's turnover is dependent upon the number of shows organised in a particular year, with some held annually, some every two years and some every four years. Turnover is also dependent upon the percentage of our share in the company organising the show. For example, International Furniture Fair Singapore Private Limited organises a very large annual event called the Singapore International Furniture Fair, which occupied about 70,000 sq.m. in March 2008. However, its results have been entered as a 40%-owned associate company.

Other shows organised by MPI in 2008 include Recycling Middle East in Dubai in March 2008, Incentive Travel & Conventions, Meetings (IT&CM) in Shanghai in April 2008, China EPower in Shanghai in April 2008, International Council of Shopping Centers Asia Expo in Macau in October 2008, Singapore Garden Festival in July 2008 and Wine for Asia in Singapore in October 2008.

During the year, MPI co-organised the first combined textile machinery show – International Textile Machinery Association (ITMA) + China International Textile Machinery Exhibition (CITME) – which was held in Shanghai in July 2008. Some 1,368 exhibitors from 30 countries occupied 126,500 sq.m. of the 11 halls in the Shanghai New International Expo Centre.

Chairman's Statement

We are contracted to organise the next ITMA show in Barcelona in 2011. Many of our shows will continue throughout 2009 – InfoComm India will be held in March, as will the International Furniture Fair, while Singapore will host Wine for Asia in October, and Shanghai will host IT&CM and China EPower in April.

REVIEW OF SUPPORTING SERVICES

The Group also owns and/or manages exhibition halls and similar facilities to provide more direct avenues of business to our exhibition and event marketing services segment.

The 14,000 sq.m. Xian Greenland Pico Convention & Exhibition Centre, of which the Group has a 30% share, has been in operation since June 2008. More than 20 events and exhibitions have been hosted in five months, including the Shaanxi Tourism Expo 2008, the 4,000-attendee 22nd World Hakka Congress, 3,000-attendee China Medical Association's Anaesthetists' Congress, 2,000-attendee Liu Clan Congress, and BMW's Brand Experience Road Show & Test Drive events.

Our Sri Lanka Exhibition & Convention Centre was awarded the most prominent exhibitions in Sri Lanka, including the Sri Lankan government's South Asian Association for Regional Cooperation Expo 2008, the largest ever Colombo International Book Fair and also created the inaugural Home and Property Show in 2008.

Through the Singapore Sport Hub Consortium, formed by Pico's joint venture company with allied industry leaders, we will be involved as a preferred bidder for building, managing and operating the Singapore Sport Hub, which is expected to commence operation in 2011. When completed, it will offer a 55,000-seat National Stadium with retractable roof, a 3,000-seat multi-purpose arena both scaleable and flexible in layout, a 6,000-seat indoor aquatic centre meeting world tournament standards, the existing 12,000-seat Singapore Indoor Stadium, and 41,000 sq.m. of commercial space.

FINANCIAL POSITION

As at year end date, total net tangible assets of the Group increased by 12.3% to about HK\$857 million (2007: HK\$763 million). The Group's funding requirements are cash on hand, internally generated cash and to the extent required, by external bank borrowings. In terms of liquidity, the current ratio (current assets/current liabilities) was 1.43 times (2007: 1.52 times) and the liquidity ratio (current assets – excluding inventories and contract work in progress/current liabilities) was 1.34 times (2007: 1.44 times). The gearing ratio (long term borrowing/total assets) decreased to 0.53% (2007: 1.17%) at the end of the year. The Group continues to preserve a healthy financial position by maintaining a low gearing ratio.

The total bank and cash balances and the pledged bank deposits of the Group stood at HK\$575 million (2007: HK\$481 million). Overall total borrowings maintained at the same amount of HK\$49 million for year ended October 31, 2008 and October 31, 2007. Our sound financial position will enable the Group to capitalise on any business expansion and investments opportunities in the future.

Although our subsidiaries are located in many different countries of the world, over 71% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining 29% were denominated in other Asian currencies and European currencies. Bank borrowings are mainly denominated in Singapore dollars and Hong Kong dollars, and the interest is charged on floating and fixed rate basis.

Since 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.

Chairman's Statement

EMPLOYEES AND EMOLUMENTS POLICIES

As at October 31, 2008, the Group employs a total of approximately 2,400 full time employees (2007: 2,300) 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 was about HK\$473 million (2007: HK\$403 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, 2008 the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

| | 2008 | 2007 |
|-----------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Pledged bank deposits | 14,317 | 8,702 |
| Freehold land and buildings | 14,827 | 15,949 |
| Leasehold land | 4,169 | 10,597 |
| Leasehold buildings | 11,670 | 16,489 |
| Investment properties | 5,340 | 32,336 |
| Trade debtors | 12,183 | 16,897 |
| Inventories | 4,594 | – |
| Equipment | 2,793 | 2,605 |
| | <u>69,893</u> | <u>103,575</u> |

CONTINGENT LIABILITIES

Since 2003, two subsidiaries and an associate of the Company have been named as defendants in a civil proceedings in Dubai brought by the other shareholder of the Company's subsidiary Pico International (Middle East) L.L.C. which had been placed under receivership. Currently, an award of Dirhams 50,000 or HK\$100,000 was made by the court to the plaintiff against the defendants for moral damages in April 2008 but this is still under appeal by both parties. A provision of HK\$100,000 has been made in the consolidated financial statements.

In 2006, Pico Hong Kong Limited ("Pico Hong Kong"), a subsidiary of the Company, was notified of a default judgement given by a district court in northern Italy against it in the sum of approximately Euro 1 million or HK\$9.93 million. Pico Hong Kong appealed and the court has suspended the enforcement of the default judgement pending a further hearing in April 2009. No provision has been made in the financial statements as Pico Hong Kong did not enter into any purchase of services contract with the plaintiff which is the subject of the plaintiff's claim. Pico Hong Kong was only a shareholder of an Italian company now in liquidation to which the plaintiff supplied services.

Chairman's Statement

FINANCIAL GUARANTEES ISSUED

At October 31, 2008, the Group has issued the following guarantees:

| | THE GROUP | | THE COMPANY | |
|---|-----------|----------|-------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <hr/> | | | | |
| Guarantees given to banks in respect of | | | | |
| banking facilities granted to | | | | |
| – subsidiaries | – | – | 341,100 | 509,351 |
| – associates | 38,026 | 17,000 | 38,026 | – |
| – jointly controlled entities | 7,980 | – | – | – |
| – investee company | – | 4,000 | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 46,006 | 21,000 | 379,126 | 509,351 |
| <hr/> | | | | |
| Performance guarantees | | | | |
| – secured | – | 6,158 | – | – |
| – unsecured | 12,385 | 4,596 | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 12,385 | 10,754 | – | – |
| <hr/> | | | | |
| Other guarantees | | | | |
| – unsecured | 6,303 | 1,167 | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |

At October 31, 2008, the Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the financial statements.

Chairman's Statement

CAPITAL COMMITMENTS

| | 2008 | 2007 |
|---------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Capital expenditure | | |
| in respect of | | |
| property, plant | | |
| and equipment | | |
| – contracted but | | |
| not provided for | 81,674 | 2,642 |
| – authorised but | | |
| not contracted for | 1,747 | 5,467 |
| | <hr/> | <hr/> |
| | 83,421 | 8,109 |

Capital commitment of HK\$79,836,000 is made for the building extension of the Pico Creative Centre situated at 20 Kallang Avenue, Singapore, which is scheduled for completion by December 2010.

The Company did not have any other significant capital commitments at October 31, 2008.

OUTLOOK

We expect 2009 to be an uncertain and challenging year for many businesses including ours. Our exposure to the U.S. markets in terms of investment and business volume is small relative to our total business, which derives more than 90% of its turnover from Asia, and substantially from or through China.

Given our strong liquid position as a company and the experience of the management team that has steered the Group through the previous Asian financial crisis and SARS crisis, we believe that the Group will be able to weather the current financial storm and emerge even stronger in the exhibition industry in this part of the world.

CONCLUSION

Finally, I wish to thank all of our customers for their patronage, our business partners for their co-operation, our staff for their dedication and hard work, and the Non-Executive Directors for their valuable guidance and advice. Last but not least, I extend my sincere gratitude to the shareholders who have silently but resolutely supported our company throughout a very difficult investment year.

By Order of the Board

Lawrence Chia Song Huat
Chairman

Hong Kong, February 6, 2009

Results in Brief

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before tax | 230,976 | 190,883 |
| Profit attributable to equity holders | 169,652 | 145,521 |
| Interest income – net | 6,281 | 5,108 |
| Depreciation and amortisation | 38,188 | 32,878 |
| EBITDA | 262,883 | 218,653 |
| Equity attributable to equity holders | 871,260 | 776,953 |
| Total assets | 1,907,032 | 1,626,986 |
| Earnings per share (HK cents) – basic | 14.18 | 12.18 |
| – diluted | 14.13 | 12.09 |
| Dividends per share (HK cents) | 5.5 | 7.0 |
| Return on average shareholders' funds (%) | 20.59 | 19.94 |
| Long-term debt/total assets (%) | 0.53 | 1.17 |
| Current assets/current liabilities ratio (times) | 1.43 | 1.52 |
| Average inventory/turnover (%) | 1.03 | 1.02 |

Profile of Directors and Senior Management

Executive Directors

Lawrence Chia Song Huat, aged 48, has worked in the exhibition industry for more than 25 years and has been Chairman of the Group since 1994. He is a graduate of the University of Tennessee with major in Finance. In 2006, he received the International Executive in Sport and Entertainment Award from The University of South Carolina in U.S.A.. He is currently a member of the Academy of Visual Arts Advisory Committee for the Hong Kong Baptist University and is also the Vice-chairman of the Singapore Chamber of Commerce (Hong Kong).

James Chia Song Heng, aged 56, is a founding Director of the Pico Group and has worked in the exhibition industry for more than 35 years. He is President of Pico Singapore and has overall responsibilities for the Group's exhibition business in South Asia. He is also Chairman of Pico (Thailand) Public Company Limited, which is listed on the Stock Exchange of Thailand, and Chairman of the MP International group which is engaged in the management of conferences and exhibitions.

Yong Choon Kong, aged 55, qualified as a Chartered Accountant with Coopers & Lybrand, London. He joined the Group in 1988 and has been in the exhibition industry for more than 21 years. He graduated with first class honours in economics and statistics from the University of Leeds.

Non-Executive Director

Frank Lee Kee Wai, aged 49, has been a Non-Executive Director of the Company since 1992 and is the senior partner of Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. He has a Bachelor of Law from the London School of Economics & Political Science and has obtained a Master of Laws degree from the University of Cambridge. Mr. Lee is a qualified solicitor in Hong Kong, England, Singapore and the Australian Capital Territory. He is also a China-Appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. Mr Lee is currently also an Independent Non-Executive Director of New World Mobile Holdings Limited.

Independent Non-Executive Directors

Charlie Yucheng Shi, aged 47, has been an Independent Non-Executive Director of the Company since 2002. Mr. Shi is currently a Managing Director of CMT ChinaValue Capital Advisors Limited based in Hong Kong, and a director of Omuha Capital Management Limited, and an Independent Non-Executive Director of China Life Asset Management Limited which is one of China's largest asset management companies with approximately RMB1.2 trillion under management. Mr. Shi holds a Bachelor of Arts in Economics from Fudan University in Shanghai, and an MBA from California Lutheran University. He also graduated from the Advanced Management Program at Harvard Business School.

Gregory Robert Scott Crichton, aged 58, has been an Independent Non-Executive Director of the Company since 1998 and is currently the Chief Legal and Regulatory Advisor of Asia Capital Reinsurance Group. He is a graduate in Law from the University of Sydney and holds a Bachelor of Arts from the University of New South Wales. He was admitted as a Solicitor of the Supreme Court of Hong Kong in 1995 and is also a Solicitor of the Supreme Court of England and Wales.

James Patrick Cunningham, aged 54, was appointed as an Independent Non-Executive Director of the Company in 2004. He obtained his B.S. degree in Business Administration from Adelphi University in Garden City, New York. He spent over 25 years in the apparel industry in the U.S. and Asia and was most recently a Senior Vice President and Corporate Officer of Gap Inc. for 14 years. He is now a private investor and also acts as a business advisor to both private and listed companies in the retail and apparel sourcing sectors.

Profile of Directors and Senior Management

Senior Management

Note: The Executive Committee is comprised of the Executive Directors and the following persons in senior management of the Group:

Chia Siong Lim

Honorary Chairman of Pico Far East Holdings Limited

Aged 62. He has worked in the exhibition industry for more than 39 years and is the founder of the Pico Group. Over the years, he had been involved in the key investments that created a strong foundation for the Group to grow to what it is today. He is also Chairman of the Intertrade group, which directs the development of exhibition hall management business. He is a brother of Mr. Lawrence Chia and Mr. James Chia.

Jolly Chang Cheo Lik

Chairman (North America)

Aged 51. He has worked in the exhibition industry for more than 27 years. He was based in the Group's Hong Kong and Tokyo offices for more than 14 years before taking up his present appointment in North America in 1998, which includes corporate responsibilities for Japan. He is a graduate of the National University of Singapore.

Jean Chia Yuan Jiun

Managing Director (Singapore)

Aged 35. She has worked in the exhibition industry for 10 years and also worked in the corporate finance industry in London, Hong Kong and Singapore before joining the Group. She is a niece of Mr. Lawrence Chia and Mr. James Chia. She is a graduate of the London School of Economics.

Steven Fang Xiang Jiang

President (China)

Aged 55. He has worked in the exhibition industry for more than 10 years. He is a graduate of the Beijing Foreign Languages Institute and also completed a management course at Boston University under the Hubert H. Humphrey Fellowship Program. Prior to joining the Group, he worked for several PRC government ministries and held senior management positions in several PRC companies for more than 20 years.

Danny Ku Yiu Chung

Managing Director (World Image Group)

Aged 43. He joined the Group in 1994 and has more than 12 years of experience in the signage business. He is responsible for business development as well as the management of the production facilities in China of the Group's brand signage and visual communication business.

Low Wun Gong

CEO (Pico IES Group)

Aged 51. He joined the Group in 1989 and has worked in the exhibition industry for more than 20 years. Pico IES Group is engaged in the general contracting of exhibition booths and the provision of technical services for trade shows. He is a Council member of the China Shanghai Convention and Exhibition Industries Association, and Convenor of the Committee of Safety and Health Standard for the Exhibition Industry of Singapore.

Florence Tan Siew Choo

Managing Director (Shanghai and Taiwan)

Aged 48. She has worked in the exhibition industry for more than 28 years. She is responsible for the business development and operations of Pico Shanghai and Pico Taiwan.

Profile of Directors and Senior Management

Tsunemichi Yui

Executive Director (Japan)

Aged 60. He has worked in the exhibition industry for more than 10 years. Prior to joining the Group, he was an international banker in The Mitsui Trust & Banking Co., Ltd., Tokyo, for more than 27 years, including postings to Singapore and Europe. He is a graduate of the Keio University, Japan.

Financial Summary

The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are as follows:

RESULTS

| | Year ended October 31, | | | | |
|--|------------------------------|------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 |
| | (As restated, note below) | | | | |
| Turnover | 1,349,920 | 1,714,784 | 1,803,512 | 2,149,070 | 2,631,065 |
| OPERATING PROFIT | | | | | |
| Profit from operations (after finance costs) | 57,961 | 148,278 | 161,693 | 172,168 | 217,490 |
| Share of profits of associates | 16,346 | 6,564 | 15,585 | 16,188 | 12,395 |
| Share of profits of jointly controlled entities | – | – | – | 2,527 | 1,091 |
| Profit before tax | 74,307 | 154,842 | 177,278 | 190,883 | 230,976 |
| Income tax expense | (18,987) | (24,733) | (29,048) | (28,547) | (44,080) |
| Profit for the year | 55,320 | 130,109 | 148,230 | 162,336 | 186,896 |
| Attributable to: | | | | | |
| Equity holders of the Company | 45,093 | 120,646 | 135,300 | 145,521 | 169,652 |
| Minority interests | 10,227 | 9,463 | 12,930 | 16,815 | 17,244 |
| | 55,320 | 130,109 | 148,230 | 162,336 | 186,896 |

ASSETS AND LIABILITIES

| | At October 31, | | | | |
|---|------------------------------|------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 |
| | (As restated, note below) | | | | |
| Total assets | 1,063,191 | 1,286,304 | 1,460,197 | 1,626,986 | 1,907,032 |
| Total liabilities | 552,498 | 684,866 | 728,163 | 784,464 | 967,661 |
| Net assets | 510,693 | 601,438 | 732,034 | 842,522 | 939,371 |
| Equity attributable to equity holders of the Company | 471,132 | 559,156 | 682,776 | 776,953 | 871,260 |
| Minority interests | 39,561 | 42,282 | 49,258 | 65,569 | 68,111 |
| Total equity | 510,693 | 601,438 | 732,034 | 842,522 | 939,371 |

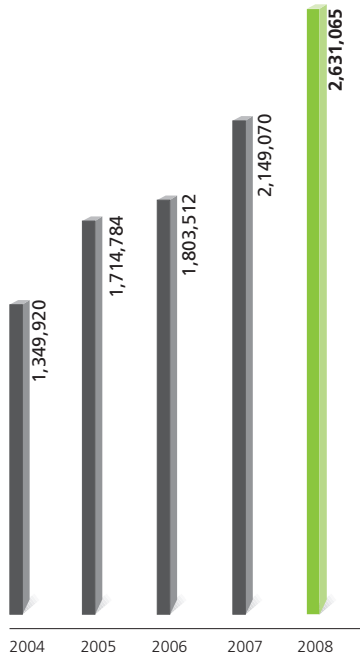
Note:

Certain prior years' figures have been restated to reflect the change in accounting policies as a result of the adoption of HKAS 1 "Presentation of Financial Statements", HKAS 17 "Leases" and HKFRS 2 "Share-based Payment".

Financial Summary

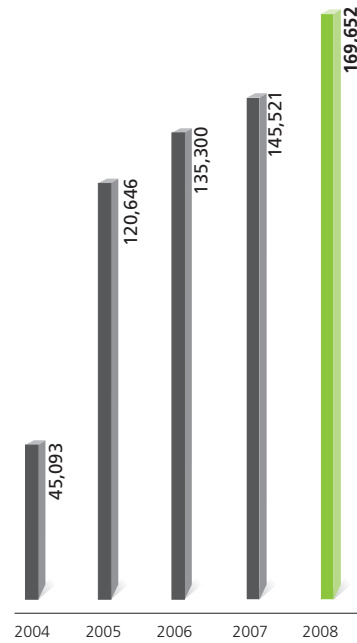
Turnover

HK\$'000



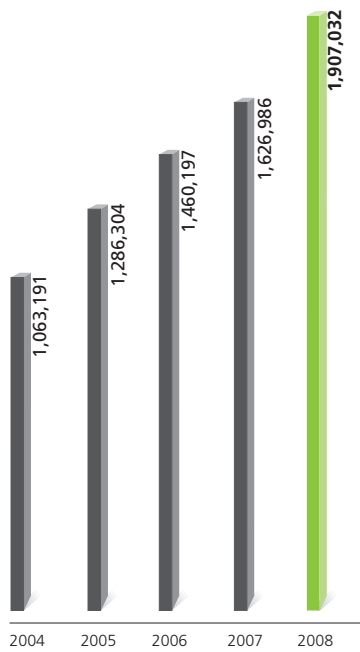
Profit attributable to equity holders

HK\$'000



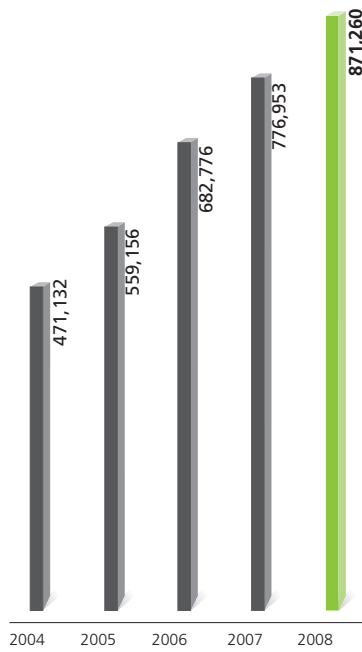
Total assets

HK\$'000



Equity attributable to equity holders

HK\$'000



Corporate Governance Report

The Board of Directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance. During the year ended October 31, 2008, the Company has complied with the principles set out in the Code on Corporate Governance Practices (the "CG Code Provision") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 three Independent Non-Executive Directors and one Non-Executive Director 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.

CG Code Provision A4.1 requires that Non-Executive Directors should be appointed for a specific term, subject to re-election. All existing Non-Executive Directors of the Company are not appointed for specific terms, but are subject to retirement and re-election at the Company's Annual General Meeting. The Articles of Association of the Company requires one-third of the Directors to retire by rotation. In the opinion of the Directors, it meets the same objective as the CG Code Provision A4.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code for the year ended October 31, 2008.

Corporate Governance Report

THE BOARD

The Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company.

Four board meetings were held during the financial year ended October 31, 2008. The attendances of the Directors are set out below:

| Directors | Attendance at Meetings |
|---|-------------------------------|
| Executive Directors | |
| Lawrence Chia Song Huat (<i>Chairman</i>) | 4 |
| James Chia Song Heng | 4 |
| Yong Choon Kong | 4 |
| Non-Executive Director | |
| Frank Lee Kee Wai | 3 |
| Independent Non-Executive Directors | |
| Gregory Robert Scott Crichton | 3 |
| Charlie Yucheng Shi | 4 |
| James Patrick Cunningham | 4 |

Board and committee minutes are recorded in appropriate detail and are kept by the Company Secretary. Draft minutes are circulated to Directors for comment within reasonable time after each meeting and the final version is open for Directors' inspection.

The Directors enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has received annual confirmations of independence from all existing Independent Non-Executive Directors and considers them independent.

The Directors have no fixed terms of appointment but are subject to re-election at the Annual General Meeting of the Company.

Corporate Governance Report

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under CG Code Provision A2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

The Company does not have a separate Chairman and Chief Executive Officer. Mr. Lawrence Chia Song Huat currently holds both positions. The Board considers that the existing structure can promote the efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

NON-EXECUTIVE DIRECTORS

Under CG Code Provision A4.1, the Non-Executive Directors should be appointed for a specific term, subject to re-election.

The Non-Executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. The Committee's authorities and duties are set out in written terms of reference.

One Remuneration Committee meeting was held during the financial year ended October 31, 2008. Members of the Remuneration Committee and the attendance of each member are set out below:

| <u>Members</u> | <u>Attendance of Meeting</u> |
|---|------------------------------|
| Lawrence Chia Song Huat (<i>Chairman</i>) | 1 |
| Gregory Robert Scott Crichton | 1 |
| James Patrick Cunningham | 1 |

The terms of reference of the Remuneration Committee are aligned with code provision set out in the CG Code Provision. Given below are main duties of the Remuneration Committee:

- (a) to consider the Company's policy and structure of remuneration of Directors and senior management;
- (b) to determine specific remuneration packages of all Executive Directors and senior management;
- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensative arrangements relating to dismissal or removal of Directors for misconduct.

Corporate Governance Report

AUDIT COMMITTEE

The Company has set up an Audit Committee consisting of a Non-Executive Director and three Independent Non-Executive Directors.

Two Audit Committee meetings were held during the financial year ended October 31, 2008. Attendance of the Members is set out below:

| <u>Members</u> | <u>Attendance of Meetings</u> |
|---|-------------------------------|
| Charlie Yucheng Shi (<i>Chairman</i>) | 2 |
| Frank Lee Kee Wai | 1 |
| Gregory Robert Scott Crichton | 2 |
| James Patrick Cunningham | 2 |

The terms of reference of Audit Committee are aligned with the code provision set out in the CG Code Provision. Given below are the main duties of the Audit Committee:

- (a) to consider the appointment of external auditor and any questions of resignation or dismissal;
- (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (c) to review half-year and annual financial statements before submission to the Board;
- (d) to discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss; and
- (e) to consider and review the Company's system of internal controls.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee as the role and function of such a committee are performed by the Board collectively. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management.

AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by RSM Nelson Wheeler, the external auditor of the Company, for the year ended October 31, 2008 amounted to HK\$1,150,000 (2007: HK\$1,080,000).

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cashflows of the Group. In preparing the financial statements for the six months ended April 30, 2008 and for the year ended October 31, 2008, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Internal Audit Department of the Group. The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

Directors' Report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended October 31, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in Notes 47, 48 and 49 respectively to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30% of the Group's total turnover and purchases for the year.

None of the Directors, or any of their associates or any substantial shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended October 31, 2008 are set out in the consolidated income statement on page 38.

The Directors now recommend the payment of a final dividend of HK2.0 cents (2007: HK3.5 cents) per ordinary share. Together with the interim dividend of HK3.5 cents (2007: HK3.5 cents) per ordinary share, the total dividend for the year amounted to HK5.5 cents (2007: HK7.0 cents) per ordinary share. The final dividend will be payable on Wednesday, April 8, 2009 to shareholders on the register of members of the Company on Thursday, March 19, 2009.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 35 to the financial statements respectively.

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the retained earnings which amounted to HK\$618,665,000 (2007: HK\$663,492,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The fair value decrease on investment properties arising on revaluation amounting to HK\$111,000 (2007: fair value increase of HK\$7,105,000) has been recognised in the consolidated income statement. Details of this and other movements in investment properties are set out in Note 16 to the financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired buildings situated outside Hong Kong at a cost of HK\$179,000, leasehold improvements at a cost of HK\$6,362,000, furniture, fixtures and office equipment at a cost of HK\$27,277,000, tools, machinery, factory equipment and fittings at a cost of HK\$18,259,000, motor vehicles at a cost of HK\$2,375,000, operating supplies at a cost of HK\$5,497,000 and property under development at a cost of HK\$17,898,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in Note 33 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Lawrence Chia Song Huat, *Chairman*

Mr. James Chia Song Heng

Mr. Yong Choon Kong

Non-Executive Director:

Mr. Frank Lee Kee Wai

Independent Non-Executive Directors:

Mr. Gregory Robert Scott Crichton

Mr. Charlie Yucheng Shi

Mr. James Patrick Cunningham

In accordance with Article 116 of the Company's Articles of Association, Messrs. James Chia Song Heng, Gregory Robert Scott Crichton and Charlie Yucheng Shi retire and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS – continued

All of the remaining Directors, including the Independent Non-Executive Directors, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the aforementioned Article.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers they are independent.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within six months without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At October 31, 2008, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

| Directors | | Number of shares/ underlying shares held | | | Approximate % of shareholding of the Company |
|-----------------------------------|----------|---|--------------------|--------------------|--|
| | | Personal interests | Other interests | Total interests | |
| Mr. Lawrence Chia Song Huat | (Note 1) | 7,640,000 | – | 7,640,000 | 0.64% |
| Mr. James Chia Song Heng | (Note 2) | 7,090,000 | – | 7,090,000 | 0.59% |
| Mr. Yong Choon Kong | (Note 3) | 7,883,600 | – | 7,883,600 | 0.66% |
| Mr. Frank Lee Kee Wai | | – | – | – | – |
| Mr. Gregory Robert Scott Crichton | | – | – | – | – |
| Mr. Charlie Yucheng Shi | | – | – | – | – |
| Mr. James Patrick Cunningham | | – | – | – | – |

Notes:

1. The personal interest of Mr. Lawrence Chia Song Huat represents the interest in 7,640,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
2. The personal interest of Mr. James Chia Song Heng represents the interest in 7,090,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
3. The personal interest of Mr. Yong Choon Kong represents the interest in 3,523,600 shares and interest in 4,360,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".

Directors' Report

DIRECTORS' INTERESTS IN SHARES – continued

Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng also have personal interests in 2,000 and 4,000 non-voting deferred shares, respectively in Pico International (HK) Limited, a subsidiary of the Company.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain Directors of the Group, none of the Directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

1. The Scheme

The Company share option scheme (the "Scheme") was adopted on January 7, 2002, details of the Scheme are as follows:

(i) Purpose

It enables the Company to grant options to Eligible Person as an incentive scheme for their contribution to the Group.

(ii) Eligible Person

- (a) Any Executive, i.e. any person who is, or who at any time after January 7, 2002 becomes, a full-time or part-time employee or an Executive Director of any Group company and has on the day preceding the offer date been such an employee or Executive Director for at least six months and any other employee or Executive Director of any Group company nominated by the Directors to be an Executive;
- (b) any Non-Executive as approved by the Board of Directors.

(iii) The total number of shares available for issue under the Scheme and the percentage of the issued share capital that it represents as at the date of the annual report.

- (a) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 109,091,450 shares, representing approximately 9.12% of the issued share capital as at October 31, 2008.
- (b) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

Directors' Report

SHARE OPTIONS – continued

1. The Scheme – continued

(iv) Maximum entitlement of each Eligible Person

The maximum number of shares issued and to be issued upon the exercise of options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

(v) Timing for exercise of options

- (a) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result.
- (b) There is no general requirement on the performance targets that must be achieved before an option can be exercised under the terms of the Scheme. However, at the time of offer of an option, the Directors may, on a case by case basis, make such offer subject to such conditions in relation to performance targets to be achieved as the Directors may determine in their absolute discretion.

(vi) The minimum period for which an option must be held before it can be exercised

An option may be exercised at any time in whole or in part during the option period.

(vii) Basis for determination of exercise price

The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of:

- (a) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an Eligible Person, which must be a business day;
- (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; or
- (c) the nominal value of the shares on the offer date.

(viii) Life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on January 7, 2002, which was the date of adoption of the Scheme.

Directors' Report

SHARE OPTIONS – continued

2. Outstanding options

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

| Name of Directors | | Outstanding at November 1, 2007 | Number of share options granted | Number of share options exercised | Number of share options lapsed | Outstanding at October 31, 2008 |
|------------------------------|-------------|---------------------------------------|---------------------------------------|---|--------------------------------------|---------------------------------------|
| <i>Category 1: Directors</i> | | | | | | |
| Mr. Lawrence Chia Song Huat | (Note 1) | 3,240,000 | - | - | - | 3,240,000 |
| | (Note 2) | 1,600,000 | - | - | - | 1,600,000 |
| | (Note 4) | 1,200,000 | - | - | - | 1,200,000 |
| | (Note 5) | 1,600,000 | - | - | - | 1,600,000 |
| Mr. James Chia Song Heng | (Note 1) | 3,040,000 | - | - | - | 3,040,000 |
| | (Note 2) | 1,600,000 | - | - | - | 1,600,000 |
| | (Note 4) | 1,150,000 | - | - | - | 1,150,000 |
| | (Note 5) | 1,300,000 | - | - | - | 1,300,000 |
| Mr. Yong Choon Kong | (Note 1) | 1,860,000 | - | - | - | 1,860,000 |
| | (Note 2) | 1,000,000 | - | - | - | 1,000,000 |
| | (Note 4) | 700,000 | - | - | - | 700,000 |
| | (Note 5) | 800,000 | - | - | - | 800,000 |
| Total Directors | | 19,090,000 | - | - | - | 19,090,000 |
| <i>Category 2: Employees</i> | | | | | | |
| | (Note 1) | 1,860,000 | - | - | - | 1,860,000 |
| | (Notes 3,8) | 756,000 | - | (722,000) | (34,000) | - |
| | (Note 4) | 450,000 | - | - | - | 450,000 |
| | (Notes 5,8) | 838,000 | - | (52,000) | - | 786,000 |
| | (Note 6) | 72,000 | - | - | - | 72,000 |
| | (Note 7) | - | 1,500,000 | - | - | 1,500,000 |
| Total employees | | 3,976,000 | 1,500,000 | (774,000) | (34,000) | 4,668,000 |
| Total all categories | | 23,066,000 | 1,500,000 | (774,000) | (34,000) | 23,758,000 |

Notes:

- (1) The exercise price is HK\$0.855. The option period during which the options may be exercised is the period from July 26, 2005 to July 25, 2010. The date of grant was July 25, 2005.
- (2) The exercise price is HK\$0.986. The option period during which the options may be exercised is the period from December 15, 2005 to December 14, 2010. The date of grant was December 14, 2005.
- (3) The exercise price is HK\$2.100. The option period during which the options may be exercised is the period from May 17, 2006 to May 16, 2011. The date of grant was May 16, 2006.
- (4) The exercise price is HK\$1.630. The option period during which the options may be exercised is the period from August 30, 2006 to August 29, 2011. The date of grant was August 29, 2006.
- (5) The exercise price is HK\$2.184. The option period during which the options may be exercised is the period from May 22, 2007 to May 21, 2012. The date of grant was May 21, 2007.
- (6) The exercise price is HK\$2.350. The option period during which the options may be exercised is the period from August 29, 2007 to August 28, 2012. The date of grant was August 28, 2007.
- (7) The exercise price is HK\$1.240. The option period during which the options may be exercised is the period from May 15, 2008 to May 14, 2013. The date of grant was May 14, 2008 and the closing price of share immediately before the date of grant was HK\$1.240.
- (8) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$2.421.

Directors' Report

SHARE OPTIONS – continued

3. Valuation of share options

(i) The fair values of the share options granted in the current year measured as at date of grant ranged from HK\$0.332 to HK\$0.342 per option.

(ii) The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

| Date of grant | Exercise price | Based on expected life of share options | Expected volatility | Weighted average share price | Risk-free rate | Annual dividend yield |
|-------------------|----------------|--|------------------------|------------------------------------|-------------------|-----------------------------|
| | HK\$ | Year(s) | % | HK\$ | % | % |
| July 25, 2005 | 0.855 | 0.5 | 44.65 | 1.710 | 2.970 | 8.73 |
| December 14, 2005 | 0.986 | 0.5 | 44.65 | 1.880 | 3.680 | 12.71 |
| May 16, 2006 | | | | | | |
| 1st Tranche | 2.100 | 0.0 | 47.13 | 2.025 | 3.491 | 7.37 |
| 2nd Tranche | 2.100 | 0.5 | 47.13 | 2.025 | 3.890 | 7.37 |
| 3rd Tranche | 2.100 | 1.0 | 47.13 | 2.025 | 4.078 | 7.37 |
| 4th Tranche | 2.100 | 1.5 | 47.13 | 2.025 | 4.187 | 7.37 |
| August 29, 2006 | 1.630 | 0.5 | 48.65 | 1.630 | 3.640 | 10.08 |
| May 21, 2007 | 2.184 | 2.5 | 47.01 | 2.170 | 4.008 | 3.23 |
| August 28, 2007 | 2.350 | 2.5 | 45.93 | 2.350 | 4.004 | 2.98 |
| May 14, 2008 | | | | | | |
| 1st Tranche | 1.240 | 2.5 | 55.18 | 1.240 | 2.123 | 5.65 |
| 2nd Tranche | 1.240 | 2.7 | 53.99 | 1.240 | 2.217 | 5.65 |
| 3rd Tranche | 1.240 | 3.0 | 53.69 | 1.240 | 2.248 | 5.65 |
| 4th Tranche | 1.240 | 3.2 | 52.74 | 1.240 | 2.353 | 5.65 |

(iii) Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

(iv) The Group recognised the total expenses of HK\$1,176,000 for year ended October 31, 2008 (2007: HK\$2,191,000) in relation to share options granted by the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At October 31, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interest disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in shares and underlying shares of the Company

| Name of Shareholder | Number of shares/ underlying shares held | Percentage of issued share capital |
|--|---|--|
| Pine Asset Management Limited | 452,687,186 | 37.84% |
| DJE Investment S.A. (Note) | 84,154,000 | 7.04% |
| Dr. Jens Ehrhardt Kapital AG | 84,154,000 | 7.04% |
| Dr. Jens Alfred Karl Ehrhardt | 84,154,000 | 7.04% |
| Matthews International Capital Management, LLC | 82,290,000 | 6.88% |

Note: These shares are held by DJE Investment S.A. which is controlled by Dr. Jens Ehrhardt Kapital AG, which in turn is controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at October 31, 2008.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

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 financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDITOR

A resolution to re-appoint Messrs. RSM Nelson Wheeler as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Lawrence Chia Song Huat

Chairman

Hong Kong, February 6, 2009

RSM! Nelson Wheeler

Certified Public Accountants

中瑞岳華(香港)會計師事務所

TO THE SHAREHOLDERS OF PICO FAR EAST HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pico Far East Holdings Limited (the "Company") set out on pages 38 to 108, which comprise the consolidated and Company balance sheets as at October 31, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at October 31, 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, February 6, 2009

Consolidated Income Statement

For the year ended October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------|------------------|------------------|
| Turnover | 6 | 2,631,065 | 2,149,070 |
| Cost of sales | | (1,778,497) | (1,426,736) |
| Gross profit | | 852,568 | 722,334 |
| Other income | 7 | 43,424 | 48,601 |
| Distribution costs | | (325,381) | (292,657) |
| Administrative expenses | | (349,217) | (300,108) |
| Other operating expenses | | (1,380) | (2,846) |
| Profit from operations | | 220,014 | 175,324 |
| Finance costs | 8 | (2,524) | (3,156) |
| Share of profits of associates | 22 | 12,395 | 16,188 |
| Share of profits of jointly controlled entities | | 1,091 | 2,527 |
| Profit before tax | | 230,976 | 190,883 |
| Income tax expense | 11 | (44,080) | (28,547) |
| Profit for the year | 12 | 186,896 | 162,336 |
| Attributable to: | | | |
| Equity holders of the Company | 13 | 169,652 | 145,521 |
| Minority interests | | 17,244 | 16,815 |
| | | 186,896 | 162,336 |
| Dividends paid | 14 | 83,734 | 83,646 |
| Earnings per share | 15 | | |
| Basic | | 14.18 cents | 12.18 cents |
| Diluted | | 14.13 cents | 12.09 cents |

Consolidated Balance Sheet

At October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| Non-current Assets | | | |
| Investment properties | 16 | 42,693 | 38,713 |
| Property, plant and equipment | 17 | 299,288 | 261,990 |
| Prepaid land lease payments | 18 | 57,262 | 58,986 |
| Intangible assets | 20 | 14,332 | 14,090 |
| Interests in jointly controlled entities | 21 | 6,639 | 7,332 |
| Interests in associates | 22 | 135,004 | 97,163 |
| Club membership | | 5,570 | 5,430 |
| Available-for-sale financial assets | 23 | 336 | 293 |
| Deferred tax assets | 36 | 1,113 | – |
| | | 562,237 | 483,997 |
| Current Assets | | | |
| Inventories | 24 | 29,962 | 24,040 |
| Contract work in progress | 25 | 48,474 | 35,220 |
| Debtors, deposits and prepayments | 26 | 672,785 | 577,791 |
| Amounts due from associates | 27 | 15,447 | 20,298 |
| Amounts due from jointly controlled entities | 28 | 2,484 | 4,807 |
| Current tax assets | | 1,134 | 305 |
| Pledged bank deposits | 29 | 14,317 | 8,702 |
| Bank and cash balances | 29 | 560,192 | 471,826 |
| | | 1,344,795 | 1,142,989 |
| Current Liabilities | | | |
| Payments received on account | | 223,082 | 183,768 |
| Creditors and accrued charges | 30 | 641,271 | 498,629 |
| Amounts due to associates | 27 | 8,721 | 7,501 |
| Current tax liabilities | | 28,589 | 28,292 |
| Borrowings | 31 | 38,645 | 29,991 |
| Finance lease obligations | 32 | 1,916 | 1,861 |
| | | 942,224 | 750,042 |
| Net Current Assets | | 402,571 | 392,947 |
| Total Assets Less Current Liabilities | | 964,808 | 876,944 |

Consolidated Balance Sheet

At October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------|------------------|------------------|
| Non-current Liabilities | | | |
| Borrowings | 31 | 10,090 | 19,106 |
| Finance lease obligations | 32 | 2,715 | 3,466 |
| Deferred tax liabilities | 36 | 12,632 | 11,850 |
| | | 25,437 | 34,422 |
| NET ASSETS | | 939,371 | 842,522 |
| Capital and Reserves | | | |
| Share capital | 33 | 59,810 | 59,771 |
| Reserves | | 811,450 | 717,182 |
| Equity attributable to equity holders of the Company | | 871,260 | 776,953 |
| Minority Interests | | 68,111 | 65,569 |
| TOTAL EQUITY | | 939,371 | 842,522 |

The financial statements on pages 38 to 108 were approved by the Board of Directors on February 6, 2009 and are signed on its behalf by:

Lawrence Chia Song Huat
Director

Yong Choon Kong
Director

Balance Sheet

At October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|-------------------------------|------|------------------|------------------|
| Non-current Asset | | | |
| Interests in subsidiaries | 19 | 66,394 | 66,394 |
| Current Assets | | | |
| Amounts due from subsidiaries | 27 | 619,406 | 663,415 |
| Bank and cash balances | | 210 | 189 |
| | | 619,616 | 663,604 |
| Current Liabilities | | | |
| Creditors and accrued charges | | 1,800 | 1,892 |
| Net Current Assets | | 617,816 | 661,712 |
| NET ASSETS | | 684,210 | 728,106 |
| Capital and Reserves | | | |
| Share capital | 33 | 59,810 | 59,771 |
| Reserves | 35 | 624,400 | 668,335 |
| TOTAL EQUITY | | 684,210 | 728,106 |

Lawrence Chia Song Huat
Director

Yong Choon Kong
Director

Consolidated Statement of Changes in Equity

For the year ended October 31, 2008

| | Attributable to equity holders of the Company | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---------------|----------------------------|-----------------|--------------------------------|--|------------------|---------------|---------------------|-------------------|----------|--------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Investment revaluation reserve | Equity-settled share-based payment reserve | Goodwill reserve | Legal reserve | Translation reserve | Retained earnings | Total | Minority interests | Total equity | | | | | | | | | | | |
| | | | | | | | | | | | | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| At November 1, 2006 | 59,515 | 694,086 | 753 | (11,998) | (1,416) | 2,540 | (419,083) | 3,658 | (22,892) | 377,613 | 682,776 | 49,258 | 732,034 | | | | | | | | | | | |
| Exchange differences arising on translation of financial statements of overseas operations | - | - | - | - | - | - | - | - | 22,954 | - | 22,954 | 2,834 | 25,788 | | | | | | | | | | | |
| Net income recognised directly in equity | - | - | - | - | - | - | - | - | 22,954 | - | 22,954 | 2,834 | 25,788 | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 145,521 | 145,521 | 16,815 | 162,336 | | | | | | | | | | | |
| Total recognised income and expense for the year | - | - | - | - | - | - | - | - | 22,954 | 145,521 | 168,475 | 19,649 | 188,124 | | | | | | | | | | | |
| Shares issued at premium | 256 | 5,346 | - | - | - | - | - | - | - | - | 5,602 | - | 5,602 | | | | | | | | | | | |
| Recognition of equity-settled share-based payment | - | - | - | - | - | 2,191 | - | - | - | - | 2,191 | - | 2,191 | | | | | | | | | | | |
| Exercise of equity-settled share-based payment | - | 641 | - | - | - | (641) | - | - | - | - | - | - | - | | | | | | | | | | | |
| Reversal on disposal of available-for-sale financial assets | - | - | - | - | 1,416 | - | - | - | - | - | 1,416 | - | 1,416 | | | | | | | | | | | |
| Loan from minority interests | - | - | - | - | - | - | - | - | - | - | - | 320 | 320 | | | | | | | | | | | |
| Capital contribution from minority interests | - | - | - | (82) | - | - | - | - | - | - | (82) | 6,223 | 6,141 | | | | | | | | | | | |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | 221 | - | 221 | - | 221 | | | | | | | | | | | |
| Transfer | - | - | - | - | - | - | - | 1,644 | - | (1,644) | - | - | - | | | | | | | | | | | |
| 2006 final dividend | - | - | - | - | - | - | - | - | - | (41,807) | (41,807) | - | (41,807) | | | | | | | | | | | |
| 2007 interim dividend | - | - | - | - | - | - | - | - | - | (41,839) | (41,839) | - | (41,839) | | | | | | | | | | | |
| Dividend distribution to minorities | - | - | - | - | - | - | - | - | - | - | - | (9,881) | (9,881) | | | | | | | | | | | |
| At October 31, 2007 | 59,771 | 700,073 | 753 | (12,080) | - | 4,090 | (419,083) | 5,302 | 283 | 437,844 | 776,953 | 65,569 | 842,522 | | | | | | | | | | | |
| Representing: | | | | | | | | | | | | | | | | | | | | | | | | |
| 2007 final dividend proposed | | | | | | | | | | 41,867 | | | | | | | | | | | | | | |
| Others | | | | | | | | | | 395,977 | | | | | | | | | | | | | | |
| | | | | | | | | | | 437,844 | | | | | | | | | | | | | | |

Consolidated Statement of Changes in Equity

For the year ended October 31, 2008

| | Attributable to equity holders of the Company | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---------------|----------------------------|-----------------|--------------------------------|--|------------------|---------------|---------------------|-------------------|---------|--------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Share capital | Share premium | Capital redemption reserve | Capital reserve | Investment revaluation reserve | Equity-settled share-based payment reserve | Goodwill reserve | Legal reserve | Translation reserve | Retained earnings | Total | Minority interests | Total equity | | | | | | | | | | | |
| | | | | | | | | | | | | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| At November 1, 2007 | 59,771 | 700,073 | 753 | (12,080) | - | 4,090 | (419,083) | 5,302 | 283 | 437,844 | 776,953 | 65,569 | 842,522 | | | | | | | | | | | |
| Exchange differences arising on translation of financial statements of overseas operations | - | - | - | - | - | - | - | - | 6,435 | - | 6,435 | (2,229) | 4,206 | | | | | | | | | | | |
| Net income recognised directly in equity | - | - | - | - | - | - | - | - | 6,435 | - | 6,435 | (2,229) | 4,206 | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 169,652 | 169,652 | 17,244 | 186,896 | | | | | | | | | | | |
| Total recognised income and expense for the year | - | - | - | - | - | - | - | - | 6,435 | 169,652 | 176,087 | 15,015 | 191,102 | | | | | | | | | | | |
| Shares issued at premium | 39 | 1,591 | - | - | - | - | - | - | - | - | 1,630 | - | 1,630 | | | | | | | | | | | |
| Recognition of equity-settled share-based payment | - | - | - | - | - | 1,176 | - | - | - | - | 1,176 | - | 1,176 | | | | | | | | | | | |
| Exercise of equity-settled share-based payment | - | 284 | - | - | - | (284) | - | - | - | - | - | - | - | | | | | | | | | | | |
| Loan from minority interests | - | - | - | - | - | - | - | - | - | - | - | 83 | 83 | | | | | | | | | | | |
| Capital contribution from minority interests | - | - | - | - | - | - | - | - | - | - | - | 7,436 | 7,436 | | | | | | | | | | | |
| Early termination of investment and liquidation | - | - | - | - | - | - | - | - | (852) | - | (852) | (3,552) | (4,404) | | | | | | | | | | | |
| Acquisition of remaining minority interests | - | - | - | - | - | - | - | - | - | - | - | (263) | (263) | | | | | | | | | | | |
| Transfer | - | - | - | - | - | - | 4,220 | 27 | (4,247) | - | - | - | - | | | | | | | | | | | |
| 2007 final dividend | - | - | - | - | - | - | - | - | (41,867) | (41,867) | - | - | (41,867) | | | | | | | | | | | |
| 2008 interim dividend | - | - | - | - | - | - | - | - | (41,867) | (41,867) | - | - | (41,867) | | | | | | | | | | | |
| Dividend distribution to minorities | - | - | - | - | - | - | - | - | - | - | - | (16,177) | (16,177) | | | | | | | | | | | |
| At October 31, 2008 | 59,810 | 701,948 | 753 | (12,080) | - | 4,982 | (419,083) | 9,522 | 5,893 | 519,515 | 871,260 | 68,111 | 939,371 | | | | | | | | | | | |
| Representing: | | | | | | | | | | | | | | | | | | | | | | | | |
| 2008 final dividend proposed | | | | | | | | | | 23,924 | | | | | | | | | | | | | | |
| Others | | | | | | | | | | 495,591 | | | | | | | | | | | | | | |
| | | | | | | | | | | <u>519,515</u> | | | | | | | | | | | | | | |

Consolidated Cashflow Statement

For the year ended October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash flows from operations | 37 | 315,137 | 224,067 |
| Interest paid | | (2,150) | (2,850) |
| Finance charges in respect of finance lease obligations | | (374) | (306) |
| Income taxes paid | | (45,829) | (28,014) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 266,784 | 192,897 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds on disposal of property, plant and equipment, investment properties and prepaid land lease payments | | 2,289 | 63,463 |
| Proceeds on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss | | 2,364 | 3,451 |
| Proceeds on disposal of club membership | | 75 | – |
| Loan from minority interests | | 83 | 320 |
| Increase in pledged short-term bank deposits | | (5,615) | (138) |
| Purchase of property, plant and equipment | | (76,421) | (36,845) |
| Settlement of loan by investee company | | 14,642 | – |
| Purchase of available-for-sale financial assets | | (2,412) | – |
| Purchase of club membership | | (279) | – |
| Purchase of prepaid land lease payments | | – | (6,457) |
| Purchase of investment properties | | – | (21,978) |
| Purchase of other intangible assets | | (2,238) | (10,478) |
| Purchase of financial assets at fair value through profit or loss | | – | (1,027) |
| Acquisition of a subsidiary | 38 | 41 | – |
| Early termination of investment and liquidation | 39 | (1,654) | – |
| Disposal of subsidiaries | | – | 7,433 |
| Investment in associates | | (32,135) | (9,469) |
| Investment in jointly controlled entities | | (262) | (10) |
| Acquisition of remaining minority interests | | (263) | – |
| Capital contribution from minority interests | | 7,436 | 6,223 |
| Interest received | | 8,805 | 8,264 |
| Dividends received from associates | | 4,884 | 19,378 |
| NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES | | (80,660) | 22,130 |

Consolidated Cashflow Statement

For the year ended October 31, 2008

| | Note | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------|------------------|------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of ordinary shares | | 1,630 | 5,602 |
| Repayment of bank loans | | (43,891) | (25,867) |
| Repayment of finance lease obligations | | (2,070) | (2,815) |
| Bank loans raised | | 36,924 | 32,710 |
| Dividends paid to minorities | | (16,177) | (9,881) |
| Dividends paid to equity holders of the Company | | (83,734) | (83,646) |
| NET CASH USED IN FINANCING ACTIVITIES | | (107,318) | (83,897) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 78,806 | 131,130 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 470,276 | 329,032 |
| Effect of foreign exchange rate changes | | 2,313 | 10,114 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 551,395 | 470,276 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Bank and cash balances | 29 | 560,192 | 471,826 |
| Bank overdrafts | 31 | (8,797) | (1,550) |
| | | 551,395 | 470,276 |

Notes to the Financial Statements

For the year ended October 31, 2008

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in Notes 47, 48 and 49 to the financial statements respectively.

2. THE ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on November 1, 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to October 31. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Business combination and goodwill – continued

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Associates – continued

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised profits on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Other intangible assets

(i) Show rights

The show rights are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives range from ten years to twenty years.

(ii) Patents and trademarks

Patents for production board design are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of ten years.

Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- all resulting exchange differences are recognised in the translation reserve.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies translation – continued

(iii) Translation on consolidation – continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. All property, plant and equipment are stated at cost less depreciation and impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|--|--|
| Freehold land | Nil |
| Freehold buildings | 1% – 2% |
| Buildings | 2% – 5% or over the terms of the relevant leases |
| Leasehold improvements | 20% |
| Furniture, fixtures and office equipment | 20% |
| Tools, machinery, factory equipment and fittings | 20% – 33 ¹ / ₃ % |
| Motor vehicles | 20% |
| Operating supplies | 20% – 33 ¹ / ₃ % |

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Operating supplies represent system materials, furniture and equipment used in exhibition construction.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property under development

Properties under development for production, rental or administrative purposes or for purposes not yet determined are stated at cost, less any identified impairment loss. On completion, such assets are transferred to other appropriate specific category of property, plant and equipment. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Cost includes all direct costs incurred in relation to the development.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are included in the income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the income statement.

Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term or hire purchase contract so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Contract work in progress

Short-term contract work in progress is stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the short-term contract work in progress to its present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price or anticipated gross billings in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Long-term contract work in progress is stated at cost incurred to date, plus estimated attributable profits, less any foreseeable losses and progress payments received and receivable.

Cost comprises direct materials, direct labour costs, costs of sub-contractors and those production overheads that have been incurred in bringing the long-term work in progress to its present location and condition. Estimated attributable profits are recognised based upon the stage of completion when a profitable outcome can prudently be foreseen. Anticipated losses are fully provided for on contracts when they are identified.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

Trade and other debtors

Trade and other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the debtors' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the debtors' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the debtors at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

Trade and other creditors

Trade and other creditors are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from short-term contracts is recognised on completion of the contracts and revenue from long-term contracts is recognised on a percentage of completion basis.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight line basis over the terms of the relevant leases.

Management service income is recognised when the service is rendered.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Contributions to retirement benefit schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade debtors. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Notes to the Financial Statements

For the year ended October 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, except goodwill, investment properties, receivables, investments, inventories, contract work in progress and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

Notes to the Financial Statements

For the year ended October 31, 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies which are described in Note 3, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Share-based payment expenses

The Group has applied HKFRS 2 "Share-based Payment" to account for its share options. In accordance with HKFRS 2, the fair values of the share options granted to the Directors and employees determined at the date of grant of the respective share options are expensed over the vesting period, with a corresponding adjustment to the equity-settled share-based payment reserve. During the year, an amount of share option expense of approximately HK\$1,176,000 (2007: HK\$2,191,000) has been recognised in the consolidated income statement.

In assessing the fair values of the share options at their respective dates of grants, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the value of the share options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The Black-Scholes Model requires the input of highly subjective assumptions, including the expected dividend yield and expected life of options. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model does not necessarily provide a reliable measure of the fair value of the share options. Any changes in input assumptions can materially affect the fair value estimate.

Impairment for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of the ability to collect, aging analysis of accounts and judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these debtors, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Financial Statements

For the year ended October 31, 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars ("US dollars"), Singapore dollars and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group monitors its foreign currency exposure closely and considers hedging significant foreign currency exposure should the need arise.

At October 31, 2008, if the Singapore dollar had weakened or strengthened 10 per cent against the US dollar and Euro with all other variables held constant, consolidated profit after tax for the year would have been HK\$4,622,000 (2007: HK\$4,488,000) and HK\$1,382,000 (2007: HK\$839,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors and bank and cash denominated in US dollars and Euro respectively.

At October 31, 2008, if the US dollar had weakened or strengthened 10 per cent against the United Arab Emirates dirham with all other variables held constant, consolidated profit after tax would have been HK\$1,411,000 (2007: HK\$934,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on trade debtors denominated in United Arab Emirates dirham.

Notes to the Financial Statements

For the year ended October 31, 2008

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk – continued

At October 31, 2008, if the Hong Kong dollar had weakened or strengthened 10 per cent against the Euro and Great Britain pound with all other variables held constant, consolidated profit after tax for the year would have been HK\$1,538,000 (2007: HK\$12,000) and HK\$1,007,000 (2007: HK\$1,376,000) higher or lower, arising mainly as a result of the foreign exchange gain or loss on bank and cash denominated in Euro and Great Britain pound respectively.

Credit risk

The Group has no significant concentrations of credit risk.

The carrying amount of the bank and cash balances, trade debtors, amounts due from associates and jointly controlled entities included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from associates and jointly controlled entities are closely monitored by the Directors.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

| | No fixed term of repayment HK\$'000 | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 |
|-------------------------------|--|---------------------------------|---|---|-----------------------------|
| At October 31, 2008 | | | | | |
| Bank borrowings | 8,797 | 30,715 | 7,114 | 3,225 | – |
| Finance lease obligations | – | 2,164 | 2,487 | 378 | – |
| Creditors and accrued charges | – | 641,271 | – | – | – |
| Amount due to associates | 8,721 | – | – | – | – |
| | 17,518 | 674,150 | 9,601 | 3,603 | – |
| At October 31, 2007 | | | | | |
| Bank borrowings | 1,550 | 31,175 | 9,814 | 10,080 | 2,144 |
| Finance lease obligations | – | 2,100 | 3,862 | – | – |
| Creditors and accrued charges | – | 498,629 | – | – | – |
| Amount due to associates | 7,501 | – | – | – | – |
| | 9,051 | 531,904 | 13,676 | 10,080 | 2,144 |

Notes to the Financial Statements

For the year ended October 31, 2008

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk

The Group's exposure to cash flow and fair value interest rate risk arises from its borrowings, finance lease obligations, short term bank deposits and cash at banks. The borrowings, short term deposits and cash at banks bear interests at variable rates varied with the then prevailing market condition.

As the Group has no significant interest-bearing assets and liabilities, except for borrowings, short term bank deposits and cash at banks, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At October 31, 2008, if interest rates at that date had been 20 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$427,000 (2007: HK\$774,000) higher or lower, arising mainly as a result of lower or higher interest expense on floating rate borrowings.

At October 31, 2008, if interest rates on cash at banks at that date had been 20 basis points lower or higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$3,874,000 (2007: HK\$3,396,000) lower or higher, arising mainly as a result of lower or higher interest income on interest-bearing cash at banks.

Fair values

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

6. TURNOVER AND SEGMENT INFORMATION

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

(i) Primary reporting format – geographical segments

The Group operates, through its subsidiaries, associates and jointly controlled entities on a worldwide basis, and mainly in three major geographical areas – Greater China (including Hong Kong, Mainland China, Macau and Taiwan), Asia other than Greater China (including mainly Singapore, Malaysia, Japan, Middle East, South Korea, Vietnam, etc), and other countries include North America, United Kingdom and France.

In presenting information on the basis of geographical segments, segment revenue and segment operating results are based on the geographical location of customers, as follows:

Notes to the Financial Statements

For the year ended October 31, 2008

6. TURNOVER AND SEGMENT INFORMATION – continued

(i) Primary reporting format – geographical segments – continued

Income Statement

Year ended October 31, 2008

| | Greater China HK\$'000 | Asia other than Greater China HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|---|------------------------------|---|--------------------|-------------------------|-------------------|
| REVENUE | | | | | |
| External sales | 1,253,525 | 1,193,415 | 184,125 | – | 2,631,065 |
| Inter-segment sales | 216,090 | 50,907 | 7,818 | (274,815) | – |
| Total revenue | 1,469,615 | 1,244,322 | 191,943 | (274,815) | 2,631,065 |
| Inter-segment sales are charged at prevailing market rates. | | | | | |
| RESULTS | | | | | |
| Segment results | 106,358 | 121,288 | (1,270) | | 226,376 |
| Interest income | | | | | 8,805 |
| Unallocated costs | | | | | (15,167) |
| Profit from operations | | | | | 220,014 |
| Finance costs | | | | | (2,524) |
| Share of profits (losses) of associates | (799) | 13,663 | (469) | | 12,395 |
| Share of profit (loss) of jointly controlled entities | – | (263) | 1,354 | | 1,091 |
| Profit before tax | | | | | 230,976 |
| Income tax expense | | | | | (44,080) |
| Profit for the year | | | | | 186,896 |
| Balance Sheet | | | | | |
| ASSETS | | | | | |
| Segment assets | 791,711 | 812,952 | 86,114 | | 1,690,777 |
| Interests in associates | 55,981 | 73,397 | 5,626 | | 135,004 |
| Interests in jointly controlled entities | 943 | 13 | 5,683 | | 6,639 |
| Unallocated assets | | | | | 74,612 |
| Consolidated total assets | | | | | 1,907,032 |
| LIABILITIES | | | | | |
| Segment liabilities | 426,596 | 446,076 | 62,748 | | 935,420 |
| Unallocated liabilities | | | | | 32,241 |
| Consolidated total liabilities | | | | | 967,661 |
| Other Information | | | | | |
| Capital expenditure | 27,895 | 48,938 | 3,260 | | 80,093 |
| Depreciation and amortisation | 15,934 | 20,561 | 1,693 | | 38,188 |
| Impairment on goodwill | 608 | 563 | – | | 1,171 |
| Other non-cash expenses | 4,983 | 4,486 | 1,816 | | 11,285 |

Notes to the Financial Statements

For the year ended October 31, 2008

6. TURNOVER AND SEGMENT INFORMATION – continued

(i) Primary reporting format – geographical segments – continued

Income Statement

Year ended October 31, 2007

| | Greater China HK\$'000 | Asia other than Greater China HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|----------------------|------------------------------|---|--------------------|-------------------------|-------------------|
| REVENUE | | | | | |
| External sales | 1,009,701 | 949,416 | 189,953 | – | 2,149,070 |
| Inter-segment sales | 231,925 | 40,343 | 12,063 | (284,331) | – |
| Total revenue | 1,241,626 | 989,759 | 202,016 | (284,331) | 2,149,070 |

Inter-segment sales are charged at prevailing market rates.

RESULTS

| | | | | | |
|--|---------|--------|-------|--|----------------|
| Segment results | 102,313 | 79,088 | 2,415 | | 183,816 |
| Interest income | | | | | 8,264 |
| Unallocated costs | | | | | (16,756) |
| Profit from operations | | | | | 175,324 |
| Finance costs | | | | | (3,156) |
| Share of profits (loss) of associates | 5,711 | 10,495 | (18) | | 16,188 |
| Share of profits of jointly controlled entities | 933 | – | 1,594 | | 2,527 |
| Profit before tax | | | | | 190,883 |
| Income tax expense | | | | | (28,547) |
| Profit for the year | | | | | 162,336 |

Balance Sheet

ASSETS

| | | | | | |
|---|---------|---------|--------|--|------------------|
| Segment assets | 768,394 | 596,790 | 80,778 | | 1,445,962 |
| Interests in associates | 27,256 | 68,492 | 1,415 | | 97,163 |
| Interests in jointly controlled entities | 942 | – | 6,390 | | 7,332 |
| Unallocated assets | | | | | 76,529 |
| Consolidated total assets | | | | | 1,626,986 |

LIABILITIES

| | | | | | |
|---------------------------------------|---------|---------|--------|--|----------------|
| Segment liabilities | 416,766 | 286,011 | 47,330 | | 750,107 |
| Unallocated liabilities | | | | | 34,357 |
| Consolidated total liabilities | | | | | 784,464 |

Other Information

| | | | | | |
|----------------------------------|--------|--------|-------|--|--------|
| Capital expenditure | 55,751 | 13,305 | 2,533 | | 71,589 |
| Depreciation and amortisation | 16,241 | 15,291 | 1,346 | | 32,878 |
| Other non-cash expenses | 9,515 | 8,273 | 2,909 | | 20,697 |

Notes to the Financial Statements

For the year ended October 31, 2008

6. TURNOVER AND SEGMENT INFORMATION – continued

(ii) Secondary reporting format – business segments

The Group's business is mainly categorised into four main business segments:

- Exhibition and event marketing services;
- Museum, themed environment, interior and retail;
- Brand signage and visual communication; and
- Conference and show management.

Revenue, which is also the Group's turnover, is analysed as follows:

Year ended October 31, 2008

| | Revenue <i>HK\$'000</i> | Segment assets <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> |
|--|----------------------------|--------------------------------------|---|
| Exhibition and event marketing services | 2,194,883 | 1,408,924 | 72,880 |
| Museum, themed environment, interior and retail | 197,110 | 101,966 | 2,312 |
| Brand signage and visual communication | 187,826 | 140,359 | 2,408 |
| Conference and show management | 51,246 | 39,528 | 2,493 |
| | 2,631,065 | 1,690,777 | 80,093 |

Year ended October 31, 2007

| | Revenue <i>HK\$'000</i> | Segment assets <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> |
|--|----------------------------|--------------------------------------|---|
| Exhibition and event marketing services | 1,763,480 | 1,191,898 | 57,899 |
| Museum, themed environment, interior and retail | 217,315 | 117,353 | 1,704 |
| Brand signage and visual communication | 143,882 | 102,150 | 1,396 |
| Conference and show management | 24,393 | 34,561 | 10,590 |
| | 2,149,070 | 1,445,962 | 71,589 |

Notes to the Financial Statements

For the year ended October 31, 2008

7. OTHER INCOME

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Included in other income are: | | |
| Allowance written back on bad and doubtful debts | 1,124 | 3,296 |
| Allowance written back on amount due from investee company | 2,653 | – |
| Dividend income from available-for-sale financial assets | 4 | 13 |
| Gain on early termination of investment and liquidation | 2,731 | – |
| Gain on disposal of subsidiaries | – | 7,206 |
| Interest income | 8,805 | 8,264 |
| Rental income, net of outgoings | 12,342 | 10,459 |

The gross rental income from investment properties for the year amounted to approximately HK\$2,342,000 (2007: HK\$1,710,000).

8. FINANCE COSTS

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on bank borrowings | 2,150 | 2,850 |
| Finance charges in respect of finance lease obligations | 374 | 306 |
| Total borrowing costs | 2,524 | 3,156 |

Notes to the Financial Statements

For the year ended October 31, 2008

9. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the emoluments of each Director for the year ended October 31, 2008 are as follows:

| Name | Directors' fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Bonus HK\$'000 | Share-based payment HK\$'000 | Group's contributions to retirement scheme HK\$'000 | Estimated rental value for rent-free accommodation provided to directors HK\$'000 | Total emoluments HK\$'000 |
|--|-----------------------------|---|-------------------|---------------------------------|--|--|------------------------------|
| Executive Directors | | | | | | | |
| Lawrence Chia Song Huat | 400 | 4,194 | 3,056 | 289 | 55 | 909 | 8,903 |
| James Chia Song Heng | 338 | 4,067 | 1,667 | 235 | 46 | - | 6,353 |
| Yong Choon Kong | 337 | 1,798 | 2,037 | 144 | 43 | 336 | 4,695 |
| Non-Executive Director | | | | | | | |
| Frank Lee Kee Wai | 175 | - | - | - | - | - | 175 |
| Independent Non-Executive Directors | | | | | | | |
| Gregory Robert Scott Crichton | 175 | - | - | - | - | - | 175 |
| Charlie Yucheng Shi | 200 | - | - | - | - | - | 200 |
| James Patrick Cunningham | 175 | - | - | - | - | - | 175 |
| Total 2008 | 1,800 | 10,059 | 6,760 | 668 | 144 | 1,245 | 20,676 |

The emoluments of each Director for the year ended October 31, 2007 are as follows:

| Name | Directors' fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Bonus HK\$'000 | Share-based payment HK\$'000 | Group's contributions to retirement scheme HK\$'000 | Estimated rental value for rent-free accommodation provided to directors HK\$'000 | Total emoluments HK\$'000 |
|--|-----------------------------|---|-------------------|---------------------------------|--|--|------------------------------|
| Executive Directors | | | | | | | |
| Lawrence Chia Song Huat | 400 | 3,884 | 2,544 | 653 | 37 | 815 | 8,333 |
| James Chia Song Heng | 338 | 3,597 | 1,716 | 531 | 36 | - | 6,218 |
| Yong Choon Kong | 337 | 1,978 | 1,786 | 327 | 37 | 84 | 4,549 |
| Non-Executive Director | | | | | | | |
| Frank Lee Kee Wai | 175 | - | - | - | - | - | 175 |
| Independent Non-Executive Directors | | | | | | | |
| Gregory Robert Scott Crichton | 175 | - | - | - | - | - | 175 |
| Charlie Yucheng Shi | 200 | - | - | - | - | - | 200 |
| James Patrick Cunningham | 175 | - | - | - | - | - | 175 |
| Total 2007 | 1,800 | 9,459 | 6,046 | 1,511 | 110 | 899 | 19,825 |

Notes to the Financial Statements

For the year ended October 31, 2008

9. DIRECTORS' EMOLUMENTS – continued

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year.

The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. Further details are disclosed under the section "Share options" in the Directors' Report and in Note 34 to the financial statements.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were Directors of the Company whose emoluments are included in the disclosures in Note 9 above. The emoluments of the remaining two (2007: two) individuals are as follows:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Salaries, allowances and benefits in kind | 6,918 | 6,691 |
| Bonus | 1,335 | 1,304 |
| Share-based payment | 43 | 518 |
| Group's contributions to retirement scheme | 33 | 43 |
| | 8,329 | 8,556 |

| | Number of employees | |
|-------------------------------|---------------------|----------|
| | 2008 | 2007 |
| HK\$3,000,001 – HK\$3,500,000 | 1 | – |
| HK\$3,500,001 – HK\$4,000,000 | – | 1 |
| HK\$4,000,001 – HK\$4,500,000 | – | – |
| HK\$4,500,001 – HK\$5,000,000 | – | 1 |
| HK\$5,000,001 – HK\$5,500,000 | 1 | – |
| | 2 | 2 |

Notes to the Financial Statements

For the year ended October 31, 2008

11. INCOME TAX EXPENSE

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| The charge comprises: | | |
| Profits tax for the year | | |
| Hong Kong | 1,772 | 1,148 |
| Overseas | 44,116 | 28,896 |
| Over provision in prior years | | |
| Hong Kong | (234) | (565) |
| Overseas | (1,752) | (661) |
| | 43,902 | 28,818 |
| Deferred tax (<i>Note 36</i>) | 178 | (271) |
| | 44,080 | 28,547 |

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) 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 new PRC Enterprise Income Tax Law (the "EIT Law") passed by the Tenth National People's Congress on March 16, 2007 introduces various changes which include the unification of the Enterprise Income Tax rate for domestic and foreign-invested enterprises at 25%. The new EIT Law was effective from January 1, 2008. In addition, the new EIT Law also provides a five-year grandfathering period starting from its effective date for those enterprises which were established before March 16, 2007.

Notes to the Financial Statements

For the year ended October 31, 2008

11. INCOME TAX EXPENSE – continued

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:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before tax (excluding share of profits of associates and jointly controlled entities) | 217,490 | 172,168 |
| Tax at the domestic income tax rate of 16.5% (2007: 17.5%) | 35,886 | 30,129 |
| Effect of different taxation rates in other countries | 10,505 | 7,990 |
| Tax effect of income that is not taxable | (11,295) | (18,269) |
| Tax effect of expenses that are not deductible | 8,499 | 6,500 |
| Utilisation of previously unrecognised tax losses | (1,282) | (1,530) |
| Tax effect of tax losses not recognised | 2,110 | 5,491 |
| Tax effect of withholding tax on dividends | 701 | – |
| Over provision in prior years | (1,986) | (1,226) |
| Others | 942 | (538) |
| Income tax expense | 44,080 | 28,547 |

Notes to the Financial Statements

For the year ended October 31, 2008

12. PROFIT FOR THE YEAR

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Profit for the year has been arrived at after charging: | | |
| Auditors' remuneration | 3,189 | 2,936 |
| Depreciation | 36,269 | 31,142 |
| Loss on disposal of property, plant and equipment, investment properties and prepaid land lease payments | 469 | 1,634 |
| Loss on disposal of available-for-sale financial assets | - | 1,212 |
| Decrease in fair value of investment properties, net | 111 | - |
| Operating lease rentals in respect of: | | |
| Amortisation of prepaid land lease payments | 1,135 | 1,736 |
| Office premises | 24,992 | 23,198 |
| Equipment | 7,892 | 6,219 |
| Direct operating expenses of investment properties that generate rental income | 1,110 | 445 |
| Cost of inventories sold | 201,328 | 142,087 |
| Allowance for bad and doubtful debts | 10,705 | 13,277 |
| Allowance for amount due from investee company | - | 4,574 |
| Allowance for inventories (included in cost of sales) | 2,665 | - |
| Amortisation of other intangible assets (included in administrative expenses) | 784 | - |
| Net exchange loss | 4,873 | - |
| Impairment on club membership (included in administrative expenses) | 49 | 38 |
| Impairment on goodwill (included in administrative expenses) | 1,171 | - |
| Staff costs: | | |
| Directors' emoluments: | | |
| Fees | 1,800 | 1,800 |
| Other emoluments including benefits in kind (exclude estimated rental value for rent-fee accommodation) | 17,631 | 17,126 |
| | 19,431 | 18,926 |
| Other staff costs: | | |
| Salaries, allowances and benefits in kind | 425,065 | 361,332 |
| Share-based payment | 508 | 680 |
| Group's contributions to retirement scheme, net of forfeited contribution of approximately HK\$107,000 (2007: HK\$105,000) | 27,735 | 21,870 |
| Total staff costs | 472,739 | 402,808 |
| and crediting: | | |
| Gain on disposal of property, plant and equipment, investment properties and prepaid land lease payments | 934 | 9,306 |
| Gain on disposal of financial assets at fair value through profit or loss | - | 37 |
| Increase in fair value of investment properties, net | - | 7,105 |
| Net exchange gain | - | 2,002 |

Notes to the Financial Statements

For the year ended October 31, 2008

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the Group's profit attributable to equity holders of the Company for the year of approximately HK\$169,652,000 (2007: HK\$145,521,000), a profit of approximately HK\$37,032,000 (2007: HK\$59,126,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS PAID

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| 2007 final dividend paid HK3.5 cents per share (2006: HK3.5 cents per share) | 41,867 | 41,807 |
| 2008 interim dividend paid HK3.5 cents per share (2007: HK3.5 cents per share) | 41,867 | 41,839 |
| Total | 83,734 | 83,646 |

A final dividend of HK2.0 cents per share for the year ended October 31, 2008 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

15. EARNINGS PER SHARE

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

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Earnings for the purposes of calculating basic and diluted earnings per share | 169,652 | 145,521 |

| | 2008 | 2007 |
|---|---------------|---------------|
| Issued ordinary shares at beginning of year | 1,195,422,104 | 1,190,294,104 |
| Effect of consideration shares issued | 771,316 | 4,450,164 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 1,196,193,420 | 1,194,744,268 |
| Effect of dilutive potential ordinary shares in respect of options | 4,296,740 | 9,010,780 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 1,200,490,160 | 1,203,755,048 |

Notes to the Financial Statements

For the year ended October 31, 2008

16. INVESTMENT PROPERTIES

| | THE GROUP | |
|---------------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| VALUATION | | |
| At beginning of year | 38,713 | 20,870 |
| Currency realignment | 2,487 | – |
| Reclassification (Notes 17, 18) | 1,604 | – |
| Additions | – | 21,978 |
| Net (decrease) increase in fair value | (111) | 7,105 |
| Disposal | – | (11,240) |
| At end of year | 42,693 | 38,713 |

During the year, the management performed a review of the carrying amounts of investment properties with reference to the valuation performed by an independent firm of surveyors. Based on their review of the carrying value of investment properties, fair value decrease on investment properties of HK\$111,000 (2007: fair value increase of HK\$7,105,000) has been recognised in the consolidated income statement. The investment properties are analysed as follows:

| | THE GROUP | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Situated in Hong Kong held under medium-term leases | 5,340 | 5,562 |
| Situated outside Hong Kong held under medium-term leases | 29,261 | 26,774 |
| Situated outside Hong Kong held under long leases | 8,092 | 6,377 |
| | 42,693 | 38,713 |

At October 31, 2008, investment properties of the Group with a carrying value of HK\$5,340,000 (2007: HK\$5,562,000) situated in Hong Kong and none of investment properties (2007: HK\$26,774,000) situated outside Hong Kong were pledged for credit facilities granted to the Group (Note 40).

Notes to the Financial Statements

For the year ended October 31, 2008

17. PROPERTY, PLANT AND EQUIPMENT

| | Buildings situated in Hong Kong HK\$'000 | Land and buildings situated outside Hong Kong HK\$'000 | Leasehold improvements HK\$'000 | Furniture, fixtures and office equipment HK\$'000 | Tools, machinery, factory equipment and fittings HK\$'000 | Motor vehicles HK\$'000 | Operating supplies HK\$'000 | Property under development HK\$'000 | Total HK\$'000 |
|---|---|---|---------------------------------------|--|--|----------------------------|-----------------------------------|---|-------------------|
| THE GROUP | | | | | | | | | |
| COST | | | | | | | | | |
| At November 1, 2006 | 34,745 | 220,333 | 26,321 | 92,039 | 55,482 | 19,859 | 28,252 | - | 477,031 |
| Exchange adjustments | - | 13,237 | 426 | 3,463 | 2,238 | 975 | 693 | - | 21,032 |
| Additions | - | 6,047 | 2,279 | 11,298 | 7,451 | 4,398 | 7,660 | - | 39,133 |
| Disposal of subsidiaries | - | - | - | (157) | (4,713) | (345) | - | - | (5,215) |
| Disposal | (5,003) | - | (914) | (4,107) | (10,331) | (4,343) | (1,188) | - | (25,886) |
| Reclassifications | - | - | - | 57 | (340) | - | 283 | - | - |
| At October 31, 2007 | 29,742 | 239,617 | 28,112 | 102,593 | 49,787 | 20,544 | 35,700 | - | 506,095 |
| Exchange adjustments | - | (2,989) | 421 | 386 | 803 | 36 | 1,604 | - | 261 |
| Additions | - | 179 | 6,362 | 27,277 | 18,259 | 2,375 | 5,497 | 17,898 | 77,847 |
| Early termination of investment and liquidation (Note 39) | - | - | - | (662) | (844) | (268) | (93) | - | (1,867) |
| Disposal | - | - | (763) | (4,100) | (4,222) | (945) | (2,128) | - | (12,158) |
| Acquisition of subsidiaries (Note 38) | - | - | - | 8 | - | - | - | - | 8 |
| Reclassifications (Note 16) | - | (574) | - | 310 | (310) | - | - | - | (574) |
| At October 31, 2008 | 29,742 | 236,233 | 34,132 | 125,812 | 63,473 | 21,742 | 40,580 | 17,898 | 569,612 |
| DEPRECIATION AND IMPAIRMENT | | | | | | | | | |
| At November 1, 2006 | (4,189) | (58,416) | (22,095) | (73,316) | (36,299) | (10,046) | (17,330) | - | (221,691) |
| Exchange adjustments | - | (4,279) | (304) | (3,003) | (1,397) | (403) | (417) | - | (9,803) |
| Provided for the year | (842) | (5,645) | (1,923) | (8,078) | (6,691) | (3,232) | (4,731) | - | (31,142) |
| Elimination on disposal of subsidiaries | - | - | - | 45 | 1,558 | 119 | - | - | 1,722 |
| Elimination on disposal | 1,256 | - | 632 | 3,333 | 7,204 | 3,490 | 894 | - | 16,809 |
| Reclassifications | - | - | - | (31) | 336 | - | (305) | - | - |
| At October 31, 2007 | (3,775) | (68,340) | (23,690) | (81,050) | (35,289) | (10,072) | (21,889) | - | (244,105) |
| Exchange adjustments | - | 655 | (235) | (33) | (530) | 78 | (953) | - | (1,018) |
| Provided for the year | (594) | (6,048) | (1,959) | (11,084) | (8,216) | (3,547) | (4,821) | - | (36,269) |
| Elimination on early termination of investment and liquidation (Note 39) | - | - | - | 240 | 304 | 48 | 32 | - | 624 |
| Eliminated on disposal | - | - | 304 | 3,822 | 4,348 | 816 | 1,044 | - | 10,334 |
| Reclassifications (Note 16) | - | 110 | - | (98) | 98 | - | - | - | 110 |
| At October 31, 2008 | (4,369) | (73,623) | (25,580) | (88,203) | (39,285) | (12,677) | (26,587) | - | (270,324) |
| CARRYING AMOUNT | | | | | | | | | |
| At October 31, 2008 | 25,373 | 162,610 | 8,552 | 37,609 | 24,188 | 9,065 | 13,993 | 17,898 | 299,288 |
| At October 31, 2007 | 25,967 | 171,277 | 4,422 | 21,543 | 14,498 | 10,472 | 13,811 | - | 261,990 |

Notes to the Financial Statements

For the year ended October 31, 2008

17. PROPERTY, PLANT AND EQUIPMENT – continued

The carrying amount of property, plant and equipment includes an amount of approximately HK\$6,224,000 (2007: HK\$6,699,000) in respect of assets held under finance lease obligations.

At October 31, 2008, certain equipments with carrying amount of HK\$2,793,000 (2007: HK\$2,605,000) were pledged for credit facilities granted to the Group (Note 40).

Included under land and buildings situated outside Hong Kong with carrying amount of HK\$128,537,000 (2007: HK\$134,349,000) as at October 31, 2008 was stated based on a lease period of 60 years. The Group has commenced construction of a 10-storey light industrial building extension and additions and alterations to the existing building, expected to be completed by December 2010, to comply with the minimum plot ratio requirements as stipulated by the landlord.

The carrying amount of land and buildings comprises:

| | THE GROUP | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| <hr/> | | |
| Situated in Hong Kong held under: | | |
| Long leases | 3,878 | 3,978 |
| Medium-term leases | 21,495 | 21,989 |
| | <hr/> | <hr/> |
| | 25,373 | 25,967 |
| <hr/> | | |
| Situated outside Hong Kong held under: | | |
| Freehold | 16,076 | 17,211 |
| Long leases | 890 | 1,380 |
| Medium-term leases | 145,220 | 150,567 |
| Short leases | 424 | 2,119 |
| | <hr/> | <hr/> |
| | 162,610 | 171,277 |
| <hr/> | | |

At October 31, 2008, certain buildings situated in Hong Kong under medium-term leases with carrying amount of HK\$11,670,000 (2007: HK\$11,915,000) and certain land and buildings situated outside Hong Kong under freehold and medium-term leases with carrying amount of HK\$14,827,000 (2007: HK\$15,949,000) and nil (2007: HK\$4,574,000) respectively were pledged for credit facilities granted to the Group (Note 40).

Notes to the Financial Statements

For the year ended October 31, 2008

18. PREPAID LAND LEASE PAYMENTS

| | THE GROUP | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| At beginning of year | 58,986 | 88,486 |
| Exchange adjustments | 551 | 1,253 |
| Additions | – | 6,457 |
| Amortisation of prepaid land lease payments | (1,135) | (1,736) |
| Reclassification (Note 16) | (1,140) | – |
| Disposal | – | (35,474) |
| At end of year | 57,262 | 58,986 |

At October 31, 2008, certain leasehold land situated in Hong Kong and outside Hong Kong with carrying amount of HK\$4,169,000 (2007: HK\$4,281,000) and nil (2007: HK\$6,316,000) respectively were pledged for credit facilities granted to the Group (Note 40).

The Group's interests in leasehold land represent prepaid operating lease payments and their carrying amounts are analysed as follows:

| | THE GROUP | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Situated in Hong Kong held under: | | |
| Long leases | 19,637 | 19,660 |
| Medium-term leases (Note) | 23,128 | 23,725 |
| | 42,765 | 43,385 |
| Situated outside Hong Kong held under: | | |
| Long leases | 2,357 | 3,542 |
| Medium-term leases | 12,140 | 12,059 |
| | 14,497 | 15,601 |

Note:

Included under medium-term leases for land situated in Hong Kong with carrying amount of HK\$14,080,000 (2007: HK\$14,444,000) as at October 31, 2008 was leased from Hong Kong Science and Technology Parks Corporation for a term up to June 27, 2047.

Notes to the Financial Statements

For the year ended October 31, 2008

19. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|--------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Unlisted shares, at cost | 66,394 | 66,394 |

Particulars of the Company's principal subsidiaries at October 31, 2008 are set out in Note 47.

20. INTANGIBLE ASSETS

| | THE GROUP | | | |
|---|-------------------------|-------------------------|--------------------|-------------------|
| | Other intangible assets | | | Total HK\$'000 |
| | Goodwill HK\$'000 | Show rights HK\$'000 | Patent HK\$'000 | |
| COST | | | | |
| At November 1, 2006 | 3,572 | – | – | 3,572 |
| Additions | – | 10,000 | 478 | 10,478 |
| Exchange differences | 40 | – | – | 40 |
| At October 31, 2007 and at November 1, 2007 | 3,612 | 10,000 | 478 | 14,090 |
| Additions | – | 2,238 | – | 2,238 |
| Exchange difference | (11) | (120) | – | (131) |
| At October 31, 2008 | 3,601 | 12,118 | 478 | 16,197 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES | | | | |
| At November 1, 2006, at October 31, 2007 and at November 1, 2007 | – | – | – | – |
| Exchange differences | – | 90 | – | 90 |
| Amortisation for the year | – | (725) | (59) | (784) |
| Impairment loss | (1,171) | – | – | (1,171) |
| At October 31, 2008 | (1,171) | (635) | (59) | (1,865) |
| CARRYING AMOUNT | | | | |
| At October 31, 2008 | 2,430 | 11,483 | 419 | 14,332 |
| At October 31, 2007 | 3,612 | 10,000 | 478 | 14,090 |

The Group's show rights are used in the Group's conference and show management segments. The remaining amortisation period of the rights range from nine years to 19 years.

The Group's patent is used in the Group's exhibition and event marketing services. The remaining amortisation period of the patent is seven years.

Notes to the Financial Statements

For the year ended October 31, 2008

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | THE GROUP | |
|--|-------------------------|-------------------------|
| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
| Unlisted investments: | | |
| Share of net assets | 3,905 | 2,537 |
| Loan receivable from a jointly controlled entity (<i>Note</i>) | 2,734 | 4,795 |
| | 6,639 | 7,332 |

Particulars of the Group's principal jointly controlled entities at October 31, 2008 are set out in Note 49.

The following amounts are the Group's share of the jointly controlled entities that are accounted for by the equity method of accounting.

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| At October 31, | | |
| Current assets | 10,765 | 17,311 |
| Non-current assets | 2,689 | 4,949 |
| Current liabilities | (3,429) | (11,445) |
| Non-current liabilities | (6,120) | (8,278) |
| Net assets | 3,905 | 2,537 |
| Year ended October 31, | | |
| Turnover | 42,253 | 15,452 |
| Expenses | 41,148 | 12,905 |

Note: The loan receivable from a jointly controlled entity is unsecured, interest floating at 2.25% per annum above the base rate of Barclays Bank plc from January 19, 2008 and repayable on July 17, 2012.

Notes to the Financial Statements

For the year ended October 31, 2008

22. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Unlisted/Listed investments: | | |
| Share of net assets | 135,004 | 97,163 |
| Fair value of listed investment in associates outside Hong Kong | 22,868 | 33,612 |

Particulars of the Group's principal associates at October 31, 2008 are set out in Note 48.

Summarised financial information in respect of the Group's associates is set out below:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| At October 31, | | |
| Group's share of associates' net assets | 135,004 | 97,163 |
| Total assets | 615,214 | 356,762 |
| Total liabilities | (337,715) | (181,724) |
| Net assets | 277,499 | 175,038 |
| Year ended October 31, | | |
| Group's share of associates' profit for the year | 12,395 | 16,188 |
| Total revenue | 534,709 | 431,238 |
| Total profit for the year | 20,163 | 30,691 |

The Group has not recognised losses relating to certain associates where its share of losses exceed the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses as at balance sheet date was HK\$6,423,000 (2007: HK\$3,770,000) of which HK\$2,653,000 (2007: HK\$1,251,000) was the share of the losses for the year. The Group had no obligation in respect of these losses.

Notes to the Financial Statements

For the year ended October 31, 2008

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | THE GROUP | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Equity securities, unlisted (Note) | 297 | 252 |
| Equity securities at fair value, listed outside Hong Kong | 39 | 41 |
| | 336 | 293 |

Note: Unlisted equity securities were carried at cost less impairment as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

24. INVENTORIES

| | THE GROUP | |
|----------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Raw materials | 8,357 | 9,092 |
| Finished goods | 21,605 | 14,948 |
| | 29,962 | 24,040 |

At October 31, 2008, approximately HK\$4,594,000 of inventories (2007: nil) were pledged for credit facilities granted to the Group (Note 40).

25. CONTRACT WORK IN PROGRESS

| | THE GROUP | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Contract costs incurred plus recognised profits | | |
| less recognised losses to date | 54,410 | 36,508 |
| Less: Progress billings | (5,936) | (1,288) |
| | 48,474 | 35,220 |
| Gross amounts due from customers for contract work | 52,222 | 40,340 |
| Gross amounts due to customers for contract work | (3,748) | (5,120) |
| | 48,474 | 35,220 |

In respect of contract work in progress at the balance sheet date, retentions receivable included in trade and other debtors are HK\$5,118,000 (2007: HK\$1,818,000).

Notes to the Financial Statements

For the year ended October 31, 2008

26. DEBTORS, DEPOSITS AND PREPAYMENTS

| | THE GROUP | |
|--|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Trade debtors | 583,270 | 488,401 |
| Less: allowance for bad and doubtful debts | (34,231) | (31,943) |
| | 549,039 | 456,458 |
| Other debtors | 32,289 | 49,425 |
| Prepayments and deposits | 91,457 | 71,908 |
| | 672,785 | 577,791 |

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:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|------------------|------------------|------------------|
| 0 – 90 days | 449,670 | 384,017 |
| 91 – 180 days | 59,541 | 39,995 |
| 181 – 365 days | 27,116 | 29,066 |
| More than 1 year | 12,712 | 3,380 |
| | 549,039 | 456,458 |

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

| | Hong Kong dollars | US dollars | RMB | Singapore dollars | Malaysian ringgit | United Arab Emirates dirham | Others | Total |
|---------------------|-------------------|------------|----------|-------------------|-------------------|--------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At October 31, 2008 | 64,926 | 72,284 | 109,786 | 146,731 | 41,908 | 45,714 | 67,690 | 549,039 |
| At October 31, 2007 | 160,478 | 33,094 | 110,537 | 63,628 | 50,269 | 2,623 | 35,829 | 456,458 |

At October 31, 2008, trade debtors of HK\$12,183,000 (2007: HK\$16,897,000) were pledged to a bank to secure revolving credit loans (Note 40).

Notes to the Financial Statements

For the year ended October 31, 2008

26. DEBTORS, DEPOSITS AND PREPAYMENTS – continued

At October 31, 2008, an allowance was made for estimated irrecoverable trade debtors of approximately HK\$34,231,000 (2007: HK\$31,943,000) 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:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--------------------------------------|------------------|------------------|
| At beginning of year | 31,943 | 32,562 |
| Allowance for the year | 9,658 | 10,109 |
| Amounts written off as uncollectible | (6,113) | (7,406) |
| Disposal of subsidiaries | – | (260) |
| Currency alignment | (133) | 234 |
| Allowance written back | (1,124) | (3,296) |
| At end of year | 34,231 | 31,943 |

At October 31, 2008, trade debtors of HK\$212,129,000 (2007: HK\$271,443,000) 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 is as follows:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|-------------------|------------------|------------------|
| Less than 90 days | 142,804 | 201,931 |
| 91 – 180 days | 46,635 | 48,752 |
| 181 – 365 days | 14,958 | 18,846 |
| More than 1 year | 7,732 | 1,914 |
| | 212,129 | 271,443 |

27. AMOUNTS DUE FROM (TO) SUBSIDIARIES AND ASSOCIATES

The amounts due from (to) subsidiaries and associates are unsecured, non-interest bearing and have no fixed terms of repayment.

At October 31, 2008, an allowance was made for doubtful debt for amounts due from associates of approximately HK\$4,959,000 (2007: HK\$4,324,000).

Notes to the Financial Statements

For the year ended October 31, 2008

28. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities are unsecured, non-interest bearing, and have no fixed terms of repayment.

29. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

At October 31, 2008

| | Hong Kong dollars | US dollars | RMB (Note) | Singapore dollars | Malaysian ringgit | United Arab Emirates dirham | Others | Total |
|--------------------------|-------------------|------------|------------|-------------------|-------------------|--------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash at bank and on hand | 36,203 | 63,767 | 129,131 | 58,741 | 4,625 | 23,246 | 59,775 | 375,488 |
| Short-term deposits | 18,116 | 34,154 | 41,965 | 3,398 | 51,746 | - | 49,642 | 199,021 |
| | 54,319 | 97,921 | 171,096 | 62,139 | 56,371 | 23,246 | 109,417 | 574,509 |
| Pledged bank deposits | - | (4,599) | - | - | (8,931) | - | (787) | (14,317) |
| Bank and cash balances | 54,319 | 93,322 | 171,096 | 62,139 | 47,440 | 23,246 | 108,630 | 560,192 |

At October 31, 2007

| | Hong Kong dollars | US dollars | RMB (Note) | Singapore dollars | Malaysian ringgit | United Arab Emirates dirham | Others | Total |
|--------------------------|-------------------|------------|------------|-------------------|-------------------|--------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash at bank and on hand | 74,373 | 46,082 | 122,007 | 27,990 | 6,958 | 17,724 | 49,528 | 344,662 |
| Short-term deposits | - | 54,731 | 18,680 | 3,677 | 34,411 | - | 24,367 | 135,866 |
| | 74,373 | 100,813 | 140,687 | 31,667 | 41,369 | 17,724 | 73,895 | 480,528 |
| Pledged bank deposits | - | (8,026) | - | - | - | - | (676) | (8,702) |
| Bank and cash balances | 74,373 | 92,787 | 140,687 | 31,667 | 41,369 | 17,724 | 73,219 | 471,826 |

The effective interest rate on short-term bank deposits range from 0.4% to 15% per annum (2007: 0.83% to 5.70% per annum), these deposits have maturity range from 7 days to 90 days (2007: 1 day to 365 days) and are subject to fair value interest rate risk. The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in Note 40 to the financial statements.

Note: Included in the bank and cash balances of the Group, HK\$171,096,000 (2007: HK\$140,687,000) were denominated in RMB, which was not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

Notes to the Financial Statements

For the year ended October 31, 2008

30. CREDITORS AND ACCRUED CHARGES

| | THE GROUP | |
|-----------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Trade creditors | 237,625 | 204,419 |
| Accrued charges | 401,887 | 291,652 |
| Other creditors | 1,759 | 2,558 |
| | 641,271 | 498,629 |

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

| | 2008 HK\$'000 | 2007 HK\$'000 |
|------------------|------------------|------------------|
| 0 – 90 days | 184,718 | 156,998 |
| 91 – 180 days | 32,963 | 33,726 |
| 181 – 365 days | 10,751 | 6,269 |
| More than 1 year | 9,193 | 7,426 |
| | 237,625 | 204,419 |

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

| | Hong Kong dollars HK\$'000 | RMB HK\$'000 | Singapore dollars HK\$'000 | Malaysian ringgit HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|---------------------|-------------------------------|-----------------|-------------------------------|-------------------------------|--------------------|-------------------|
| At October 31, 2008 | 37,935 | 95,745 | 33,384 | 22,232 | 48,329 | 237,625 |
| At October 31, 2007 | 75,821 | 77,076 | 15,002 | 14,882 | 21,638 | 204,419 |

Notes to the Financial Statements

For the year ended October 31, 2008

31. BORROWINGS

| | THE GROUP | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Borrowings comprise the following: | | |
| Bank loans | 39,938 | 47,547 |
| Bank overdrafts | 8,797 | 1,550 |
| | 48,735 | 49,097 |
| The borrowings are repayable as follows: | | |
| On demand or within one year | 38,645 | 29,991 |
| In the second year | 6,942 | 8,768 |
| In the third to fifth years, inclusive | 3,148 | 8,276 |
| More than five years | – | 2,062 |
| | 48,735 | 49,097 |
| Less: Amounts due within one year shown under current liabilities | (38,645) | (29,991) |
| Amounts due for settlement after one year | 10,090 | 19,106 |

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

At October 31, 2008

| | Hong Kong dollars HK\$'000 | Singapore dollars HK\$'000 | RMB HK\$'000 | Canadian dollars HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|-----------------|-------------------------------|-------------------------------|-----------------|------------------------------|--------------------|-------------------|
| Bank loans | 4,500 | 35,240 | – | – | 198 | 39,938 |
| Bank overdrafts | – | 2,619 | – | – | 6,178 | 8,797 |
| | 4,500 | 37,859 | – | – | 6,376 | 48,735 |

At October 31, 2007

| | Hong Kong dollars HK\$'000 | Singapore dollars HK\$'000 | RMB HK\$'000 | Canadian dollars HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|-----------------|-------------------------------|-------------------------------|-----------------|------------------------------|--------------------|-------------------|
| Bank loans | 4,384 | 8,963 | 15,854 | 18,066 | 280 | 47,547 |
| Bank overdrafts | – | – | – | – | 1,550 | 1,550 |
| | 4,384 | 8,963 | 15,854 | 18,066 | 1,830 | 49,097 |

The Group's bank loans of HK\$22,799,000 (2007: HK\$280,000) carry fixed interest rates at 2% to 4.3% per annum on rollover basis (2007: 1.74% per annum) and expose the Group to fair value interest rate risk. And the Group's bank loans of HK\$17,139,000 (2007: HK\$47,267,000) carry floating interest rate at 2.56% per annum (2007: 3.50% to 7.18% per annum), thus exposing the Group to cash flow interest rate risk. Bank loans and bank overdrafts of HK\$7,987,000 (2007: HK\$27,309,000) are secured by a charge over the Group's assets (Note 40).

Notes to the Financial Statements

For the year ended October 31, 2008

32. FINANCE LEASE OBLIGATIONS

| | THE GROUP | | | |
|--|---------------------------|------------------|---|------------------|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 2,164 | 2,100 | 1,916 | 1,861 |
| In the second to fifth years inclusive | 2,865 | 3,862 | 2,715 | 3,466 |
| | 5,029 | 5,962 | 4,631 | 5,327 |
| Less: Future finance charges | (398) | (635) | N/A | N/A |
| Present value of finance lease obligations | 4,631 | 5,327 | 4,631 | 5,327 |
| Less: Amounts due within one year shown under current liabilities | | | (1,916) | (1,861) |
| Amounts due for settlement after one year | | | 2,715 | 3,466 |

It is the Group's practice to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended October 31, 2008, the average effective borrowing rate was 7.51% (2007: 5.60%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's finance lease obligations are secured by the lessor's title to the leased assets.

33. SHARE CAPITAL

| | Number of shares | | Share capital | |
|--|------------------|---------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 | 2008 HK\$'000 | 2007 HK\$'000 |
| Ordinary shares of HK\$0.05 each (2007: HK\$0.05 each): | | | | |
| Authorised: | | | | |
| At beginning of year and end of year | 2,400,000,000 | 2,400,000,000 | 120,000 | 120,000 |

Notes to the Financial Statements

For the year ended October 31, 2008

33. SHARE CAPITAL – continued

| | Number of shares | | Share capital | |
|----------------------------------|------------------|---------------|------------------|------------------|
| | 2008 | 2007 | 2008 HK\$'000 | 2007 HK\$'000 |
| Issued and fully paid: | | | | |
| At beginning of year | 1,195,422,104 | 1,190,294,104 | 59,771 | 59,515 |
| Exercise of share options (Note) | 774,000 | 5,128,000 | 39 | 256 |
| At end of year | 1,196,196,104 | 1,195,422,104 | 59,810 | 59,771 |

Note: During the year, 722,000 and 52,000 shares were issued at HK\$2.100 and HK\$2.184 per share respectively as a result of the exercise of share options of the Company.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group regularly reviews the capital structure frequently by considering the costs of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends, new share issues and issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Group monitors its capital basis of the gearing ratio, which is long-term borrowings divided by total assets. Total assets is calculated as non-current assets plus current assets. The gearing ratios as at October 31, 2008 and 2007 were as follows:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|----------------------|------------------|------------------|
| Long-term borrowings | 10,090 | 19,106 |
| Non-current assets | 562,237 | 483,997 |
| Current assets | 1,344,795 | 1,142,989 |
| Total assets | 1,907,032 | 1,626,986 |
| | 2008 | 2007 |
| Gearing ratio | 0.53% | 1.17% |

The Group overall strategy of gearing remains unchanged during the year.

Notes to the Financial Statements

For the year ended October 31, 2008

34. SHARE-BASED PAYMENTS

On January 7, 2002, ordinary resolutions were passed by shareholders at an Extraordinary General Meeting to approve the adoption of New Share Option Scheme (the "Scheme"). Under the Scheme, the Company may grant options to Eligible Persons to subscribe for shares in the Company, subject to the maximum number of shares available for issue under options in aggregate not exceeding 10% of the issued share capital of the Company as at the date of adoption of the Scheme. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of five years from the offer date. The Directors may provide restrictions on the exercise of an option during the period and option may be exercised as a result. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no less than the highest of the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to Eligible Persons, which must be a business day; the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and the nominal value of the shares on the offer date.

(a) Details of the specific categories of options are as follows:

| | Date of grant | Vesting date | Exercise period | Exercise price HK\$ |
|-------------|---------------|--------------|-------------------------|------------------------|
| 2004B | 25-Jul-05 | 26-Jul-05 | 26.7.2005 – 25.7.2010 | 0.855 |
| 2005A | 14-Dec-05 | 15-Dec-05 | 15.12.2005 – 14.12.2010 | 0.986 |
| 2005B | 16-May-06 | | | |
| 1st tranche | | 17-May-06 | 17.5.2006 – 16.5.2011 | 2.100 |
| 2nd tranche | | 1-Nov-06 | 1.11.2006 – 16.5.2011 | 2.100 |
| 3rd tranche | | 2-May-07 | 2.5.2007 – 16.5.2011 | 2.100 |
| 4th tranche | | 1-Nov-07 | 1.11.2007 – 16.5.2011 | 2.100 |
| 2005C | 29-Aug-06 | 30-Aug-06 | 30.8.2006 – 29.8.2011 | 1.630 |
| 2006A | 21-May-07 | | | |
| 1st tranche | | 22-May-07 | 22.5.2007 – 21.5.2012 | 2.184 |
| 2nd tranche | | 1-Nov-07 | 1.11.2007 – 21.5.2012 | 2.184 |
| 3rd tranche | | 2-May-08 | 2.5.2008 – 21.5.2012 | 2.184 |
| 4th tranche | | 3-Nov-08 | 3.11.2008 – 21.5.2012 | 2.184 |
| 2006B | 28-Aug-07 | | | |
| 1st tranche | | 29-Aug-07 | 29.8.2007 – 28.8.2012 | 2.350 |
| 2nd tranche | | 1-Nov-07 | 1.11.2007 – 28.8.2012 | 2.350 |
| 3rd tranche | | 2-May-08 | 2.5.2008 – 28.8.2012 | 2.350 |
| 4th tranche | | 3-Nov-08 | 3.11.2008 – 28.8.2012 | 2.350 |
| 2007 | 14-May-08 | | | |
| 1st tranche | | 15-May-08 | 15.5.2008 – 14.5.2013 | 1.240 |
| 2nd tranche | | 3-Nov-08 | 3.11.2008 – 14.5.2013 | 1.240 |
| 3rd tranche | | 4-May-09 | 4.5.2009 – 14.5.2013 | 1.240 |
| 4th tranche | | 2-Nov-09 | 2.11.2009 – 14.5.2013 | 1.240 |

If the options remain unexercised after a period of five years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the Financial Statements

For the year ended October 31, 2008

34. SHARE-BASED PAYMENTS – continued

(b) Details of the share options outstanding during the year are as follows:

| | 2008 | | 2007 | |
|----------------------------------|-------------------------|---|-------------------------|---|
| | Number of share options | Weighted average exercise price HK\$ | Number of share options | Weighted average exercise price HK\$ |
| Outstanding at beginning of year | 23,066,000 | 1.30 | 23,770,000 | 1.09 |
| Granted during the year | 1,500,000 | 1.24 | 4,758,000 | 2.19 |
| Forfeited during the year | (34,000) | 2.10 | (334,000) | 2.13 |
| Exercised during the year | (774,000) | 2.11 | (5,128,000) | 1.09 |
| Outstanding at end of year | 23,758,000 | 1.27 | 23,066,000 | 1.30 |
| Exercisable at end of year | 21,514,000 | 1.23 | 18,856,000 | 1.11 |

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.429. The options outstanding at end of year have a weighted average remaining contractual life of 3 years (2007: up to 5 years) and the exercise prices range from HK\$0.855 to HK\$2.350 (2007: HK\$0.855 to HK\$2.350). In 2008, options were granted on May 14, 2008. The estimated fair values per option range from HK\$0.332 to HK\$0.342. In 2007, options were granted on May 21, 2007 and August 28, 2007. The estimated fair values per option range from HK\$0.590 to HK\$0.639.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| Date of grant | Exercise price HK\$ | Based on expected life of share options year(s) | Expected volatility % | Weighted average share price HK\$ | Risk-free rate % | Annual dividend yield % |
|-------------------|------------------------|--|--------------------------|--------------------------------------|---------------------|----------------------------|
| July 25, 2005 | 0.855 | 0.5 | 44.65 | 1.710 | 2.970 | 8.73 |
| December 14, 2005 | 0.986 | 0.5 | 44.65 | 1.880 | 3.680 | 12.71 |
| May 16, 2006 | | | | | | |
| 1st Tranche | 2.100 | 0.0 | 47.13 | 2.025 | 3.491 | 7.37 |
| 2nd Tranche | 2.100 | 0.5 | 47.13 | 2.025 | 3.890 | 7.37 |
| 3rd Tranche | 2.100 | 1.0 | 47.13 | 2.025 | 4.078 | 7.37 |
| 4th Tranche | 2.100 | 1.5 | 47.13 | 2.025 | 4.187 | 7.37 |
| August 29, 2006 | 1.630 | 0.5 | 48.65 | 1.630 | 3.640 | 10.08 |
| May 21, 2007 | 2.184 | 2.5 | 47.01 | 2.170 | 4.008 | 3.23 |
| August 28, 2007 | 2.350 | 2.5 | 45.93 | 2.350 | 4.004 | 2.98 |
| May 14, 2008 | | | | | | |
| 1st Tranche | 1.240 | 2.5 | 55.18 | 1.240 | 2.123 | 5.65 |
| 2nd Tranche | 1.240 | 2.7 | 53.99 | 1.240 | 2.217 | 5.65 |
| 3rd Tranche | 1.240 | 3.0 | 53.69 | 1.240 | 2.248 | 5.65 |
| 4th Tranche | 1.240 | 3.2 | 52.74 | 1.240 | 2.353 | 5.65 |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of HK\$1,176,000 for year ended October 31, 2008 (2007: HK\$2,191,000) in relation to share options granted by the Company.

Notes to the Financial Statements

For the year ended October 31, 2008

35. RESERVES

(a) Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Capital redemption reserve*

The capital redemption reserve represents the nominal amount of share capital repurchased through the Stock Exchange and cancelled by the Company. The issued share capital was reduced by the nominal value thereof and transfer to the capital redemption reserve upon cancellation of the repurchased shares.

(iii) *Capital reserve*

The capital reserve of the Group represents the difference between the nominal amounts of the share capital issued by the Company in exchange for the nominal amount of the share capital of its subsidiaries at the date of reorganisation.

(iv) *Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policy in Note 3 to the financial statements.

(v) *Equity-settled share-based payment reserve*

The fair value of the actual or estimated number of share options granted to Directors of the Company and employees of the Group recognised in accordance with the accounting policy adopted for share-based payment in Note 3 to the financial statements.

(vi) *Legal reserve*

The legal reserve of the Group represents the transfer from the retained earnings of the Company's subsidiaries as required by respective local laws and regulations.

(vii) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3 to the financial statements.

(viii) *Special reserve*

The special reserve of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net assets of subsidiaries acquired by the Company at the date of reorganisation.

Notes to the Financial Statements

For the year ended October 31, 2008

35. RESERVES – continued

(b) The Company

| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Equity-settled share-based payment reserve HK\$'000 | Special reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|---|--------------------------------|----------------------------------|-------------------|
| At November 1, 2006 | 694,086 | 753 | 2,540 | 50,594 | (62,655) | 685,318 |
| Shares issued at premium | 5,346 | – | – | – | – | 5,346 |
| Recognition of equity-settled share-based payment | – | – | 2,191 | – | – | 2,191 |
| Exercise of equity-settled share-based payment | 641 | – | (641) | – | – | – |
| Profit for the year | – | – | – | – | 59,126 | 59,126 |
| 2006 final dividend | – | – | – | – | (41,807) | (41,807) |
| 2007 interim dividend | – | – | – | – | (41,839) | (41,839) |
| At October 31, 2007 | 700,073 | 753 | 4,090 | 50,594 | (87,175) | 668,335 |
| Representing: | | | | | | |
| 2007 final dividend proposed | | | | | 41,867 | |
| Others | | | | | (129,042) | |
| Retained earnings at October 31, 2007 | | | | | (87,175) | |
| At November 1, 2007 | 700,073 | 753 | 4,090 | 50,594 | (87,175) | 668,335 |
| Shares issued at premium | 1,591 | – | – | – | – | 1,591 |
| Recognition of equity-settled share-based payment | – | – | 1,176 | – | – | 1,176 |
| Exercise of equity-settled share-based payment | 284 | – | (284) | – | – | – |
| Profit for the year | – | – | – | – | 37,032 | 37,032 |
| 2007 final dividend | – | – | – | – | (41,867) | (41,867) |
| 2008 interim dividend | – | – | – | – | (41,867) | (41,867) |
| At October 31, 2008 | 701,948 | 753 | 4,982 | 50,594 | (133,877) | 624,400 |
| Representing: | | | | | | |
| 2008 final dividend proposed | | | | | 23,924 | |
| Others | | | | | (157,801) | |
| Retained earnings at October 31, 2008 | | | | | (133,877) | |

Notes to the Financial Statements

For the year ended October 31, 2008

36. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation <i>HK\$'000</i> | Revaluation of properties <i>HK\$'000</i> | Withholding tax on dividends <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|---------------------------|--------------------------|
| At November 1, 2006 | 5,101 | 7,508 | – | (496) | 12,113 |
| Exchange adjustments | 943 | (1,931) | – | 996 | 8 |
| Charge (credit) to income statement (Note 11) | (397) | 829 | – | (703) | (271) |
| At October 31, 2007 | 5,647 | 6,406 | – | (203) | 11,850 |
| Exchange adjustments | (1,320) | 1,063 | – | (252) | (509) |
| Charge (credit) to income statement (Note 11) | 288 | (178) | 701 | (633) | 178 |
| At October 31, 2008 | 4,615 | 7,291 | 701 | (1,088) | 11,519 |

The following is the analysis of the deferred tax balances:

| | THE GROUP | |
|--------------------------|-------------------------|-------------------------|
| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
| Deferred tax liabilities | 12,632 | 11,850 |
| Deferred tax assets | (1,113) | – |
| | 11,519 | 11,850 |

At October 31, 2008, the Group has unused tax losses of approximately HK\$54,029,000 (2007: HK\$74,235,000), available to offset against future profits. No deferred tax asset in respect of tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are HK\$53,161,000 (2007: HK\$57,282,000) may be carried forward indefinitely, the remaining balances will be expired within 5 years.

Notes to the Financial Statements

For the year ended October 31, 2008

37. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOWS FROM OPERATIONS

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit before tax | 230,976 | 190,883 |
| Adjustments for: | | |
| Interest expenses | 2,150 | 2,850 |
| Finance charges in respect of finance lease obligations | 374 | 306 |
| Interest income | (8,805) | (8,264) |
| Depreciation | 36,269 | 31,142 |
| Amortisation of prepaid land lease payments | 1,135 | 1,736 |
| Amortisation of other intangible assets | 784 | – |
| Impairment on goodwill | 1,171 | – |
| Net gain on disposal of property, plant and equipment, investment properties and prepaid land lease payments | (465) | (7,672) |
| Decrease (increase) in fair value of investment properties, net | 111 | (7,105) |
| Gain on disposal of subsidiaries | – | (7,206) |
| Gain on early termination of investment and liquidation | (2,731) | – |
| Allowance for amount due from investee company and bad and doubtful debts | 10,705 | 17,851 |
| Allowance written back on amount due from investee company | (2,653) | – |
| Allowance written back on bad and doubtful debts | (1,124) | (3,296) |
| Impairment on club membership | 49 | 38 |
| Net loss on disposal of financial assets | – | 1,110 |
| Share of profits of associates | (12,395) | (16,188) |
| Share of profits of jointly controlled entities | (1,091) | (2,527) |
| Equity-settled share-based payment expenses | 1,176 | 2,191 |
| Operating profit before changes in working capital | 255,636 | 195,849 |
| Increase in inventories | (6,213) | (4,075) |
| Increase in contract work in progress | (14,577) | (248) |
| Decrease in amounts due from associates | 4,561 | 8,471 |
| Decrease (increase) in amounts due from jointly controlled entities | 4,384 | (9,602) |
| (Increase) decrease in debtors, deposits and prepayments | (125,007) | 21,224 |
| Increase in payments received on account | 49,300 | 23,393 |
| Increase (decrease) in creditors and accrued charges | 145,717 | (10,395) |
| Increase (decrease) in amounts due to associates | 1,336 | (550) |
| Cash flows from operations | 315,137 | 224,067 |

Notes to the Financial Statements

For the year ended October 31, 2008

38. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired 100% of Pico Event Management Pte Ltd for a cash consideration of HK\$577,000. Pico Event Management Pte Ltd was engaged in event management services during the year. The purchase consideration was in the form of cash at HK\$577,000. The subsidiary acquired had no significant impact on the turnover, results and cash flows of the Group during the year.

The fair value of the identifiable assets and liabilities of Pico Event Management Pte Ltd acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

| | <i>HK\$'000</i> |
|--|-----------------|
| <hr/> | |
| Net assets acquired: | |
| Property, plant and equipment (<i>Note 17</i>) | 8 |
| Contract work in progress | (599) |
| Debtors, deposits and prepayments | 1,347 |
| Bank and cash balances | 618 |
| Creditors and accrued charges | (797) |
| <hr/> | |
| Satisfied by: | |
| Cash | 577 |
| <hr/> | |
| Net cash inflow arising on acquisition: | |
| Cash consideration paid | (577) |
| Bank and cash balances acquired | 618 |
| <hr/> | |
| | 41 |
| <hr/> | |

Notes to the Financial Statements

For the year ended October 31, 2008

39. EARLY TERMINATION OF INVESTMENT AND LIQUIDATION

During the year, Chongqing Nanping Convention and Exhibition Center Management Co. Ltd. was liquidated.

Net assets at the date of early termination and liquidation were as follows:

| | <i>HK\$'000</i> |
|---|-----------------|
| Property, plant and equipment (Note 17) | 1,243 |
| Inventories | 312 |
| Debtors, deposits and prepayments | 7,364 |
| Bank and cash balances | 10,377 |
| Payments received on account | (8,230) |
| Creditors and accrued charges | (670) |
| Net assets | 10,396 |
| Minority interests | (3,552) |
| Release of translation reserve | (852) |
| Gain on early termination of investment and liquidation | 2,731 |
| Total reward – satisfied by cash | 8,723 |

Analysis of net outflow of cash and cash equivalents in connection with the early termination of investment and liquidation:

| | <i>HK\$'000</i> |
|------------------------------------|-----------------|
| Cash consideration received | 8,723 |
| Bank and cash balances disposed of | (10,377) |
| | (1,654) |

The subsidiary early terminated the management agreement in connection with the management of the Chongqing International Convention & Exhibition Centre and is under liquidation. There is no significant impact on the turnover, results and cash flows of the Group during the year.

Notes to the Financial Statements

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40. PLEDGE OF ASSETS

At October 31, 2008, the following assets were pledged as collaterals for credit facilities granted to the Group by certain banks.

| | THE GROUP | |
|-----------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Pledged bank deposits | 14,317 | 8,702 |
| Freehold land and buildings | 14,827 | 15,949 |
| Leasehold land | 4,169 | 10,597 |
| Leasehold buildings | 11,670 | 16,489 |
| Investment properties | 5,340 | 32,336 |
| Trade debtors | 12,183 | 16,897 |
| Inventories | 4,594 | – |
| Equipment | 2,793 | 2,605 |
| | 69,893 | 103,575 |

41. CAPITAL COMMITMENTS

| | THE GROUP | |
|---|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Capital expenditure in respect of property, plant and equipment | | |
| – contracted but not provided for | 81,674 | 2,642 |
| – authorised but not contracted for | 1,747 | 5,467 |
| | 83,421 | 8,109 |

Capital commitment of HK\$79,836,000 is made for the building extension of the Pico Creative Centre situated at 20 Kallang Avenue, Singapore, which is scheduled for completion by December 2010.

The Company did not have any other significant capital commitments at October 31, 2008.

Notes to the Financial Statements

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42. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment are payable as follows:

| | THE GROUP | | | |
|--|------------------------------------|------------------------------|------------------------------------|------------------------------|
| | 2008 | | 2007 | |
| | Rented premises <i>HK\$'000</i> | Equipment <i>HK\$'000</i> | Rented premises <i>HK\$'000</i> | Equipment <i>HK\$'000</i> |
| Within one year | 23,422 | 1,111 | 17,463 | 307 |
| In the second to fifth years inclusive | 54,806 | 1,966 | 44,820 | 327 |
| Over five years | 90,161 | – | 86,545 | – |
| | 168,389 | 3,077 | 148,828 | 634 |

Operating lease payments mainly represent four (2007: three) rentals payable by the Group for its offices. Leases are ranged between five years to sixty years and rentals are fixed over the lease terms and do not include contingent rentals.

At October 31, 2008, the Company had no other significant commitments under non-cancellable operating leases.

The Group as lessor

At the balance sheet date, the Group's total future minimum lease payments under non-cancellable operating lease are receivable as follows:

| | THE GROUP | |
|--|-------------------------|-------------------------|
| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
| Within one year | 5,292 | 4,774 |
| In the second to fifth years inclusive | 2,880 | 5,301 |
| | 8,172 | 10,075 |

Notes to the Financial Statements

For the year ended October 31, 2008

43. CONTINGENT LIABILITIES

Since 2003, two subsidiaries and an associate of the Company have been named as defendants in a civil proceedings in Dubai brought by the other shareholder of the Company's subsidiary Pico International (Middle East) L.L.C. which had been placed under receivership. Currently, an award of Dirhams 50,000 or HK\$100,000 was made by the court to the plaintiff against the defendants for moral damages in April 2008 but this is still under appeal by both parties. A provision of HK\$100,000 has been made in the consolidated financial statements.

In 2006, Pico Hong Kong Limited ("Pico Hong Kong"), a subsidiary of the Company, was notified of a default judgement given by a district court in northern Italy against it in the sum of approximately Euro 1 million or HK\$9.93 million. Pico Hong Kong appealed and the court has suspended the enforcement of the default judgement pending a further hearing in April 2009. No provision has been made in the financial statements as Pico Hong Kong did not enter into any purchase of services contract with the plaintiff which is the subject of the plaintiff's claim. Pico Hong Kong was only a shareholder of an Italian company now in liquidation to which the plaintiff supplied services.

Financial Guarantees issued

At October 31, 2008, the Group has issued the following guarantees:

| | THE GROUP | | THE COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Guarantees given to banks in respect of banking facilities granted to | | | | |
| – subsidiaries | – | – | 341,100 | 509,351 |
| – associates | 38,026 | 17,000 | 38,026 | – |
| – jointly controlled entities | 7,980 | – | – | – |
| – investee company | – | 4,000 | – | – |
| | 46,006 | 21,000 | 379,126 | 509,351 |
| Performance guarantees | | | | |
| – secured | – | 6,158 | – | – |
| – unsecured | 12,385 | 4,596 | – | – |
| | 12,385 | 10,754 | – | – |
| Other guarantees | | | | |
| – unsecured | 6,303 | 1,167 | – | – |

At October 31, 2008, the Directors do not consider it is probable that a claim will be made against the Group under any of the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the financial statements.

Notes to the Financial Statements

For the year ended October 31, 2008

44. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The retirement benefits scheme's cost charged to income statement represents contributions payable to the funds by the Group at rates specified in the rules of scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group was approximately HK\$107,000 (2007: HK\$105,000).

This scheme has now been closed to new employees in Hong Kong as consequence of the new Mandatory Provident Fund Pension Legislation introduced by the Hong Kong Government. New staff in Hong Kong joining the Group after December 1, 2000 are required to join the Mandatory Provident Fund.

All Hong Kong staff employed by the Group before December 1, 2000 have been offered to join the Mandatory Provident Fund or remain under the Group's retirement benefits scheme. The Group and the employees contribute the same amount of 5% of the monthly remunerations up to HK\$1,000 per month to the Mandatory Provident Fund.

45. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its associates, jointly controlled entities and related parties during the year:

Year ended October 31, 2008

| | Exhibition income HK\$'000 | Sub-contracting fee paid HK\$'000 | Management fee income HK\$'000 | Property rental income HK\$'000 | Property rental expenses HK\$'000 | Consultancy fee paid HK\$'000 | Others HK\$'000 | Receivables HK\$'000 | Payables HK\$'000 |
|--------------------------------|----------------------------------|---|--------------------------------------|---------------------------------------|--|-------------------------------------|--------------------|-------------------------|----------------------|
| Associates | 6,334 | 25,063 | 8,161 | 1,052 | - | 998 | 1,804 | 15,447 | 8,721 |
| Jointly controlled entities | - | - | - | - | 24 | - | - | 5,218 | - |
| Related companies | - | - | - | - | 585 | - | 541 | 37 | - |

Year ended October 31, 2007

| | Exhibition income HK\$'000 | Sub-contracting fee paid HK\$'000 | Management fee income HK\$'000 | Property rental income HK\$'000 | Property rental expenses HK\$'000 | Consultancy fee paid HK\$'000 | Others HK\$'000 | Receivables HK\$'000 | Payables HK\$'000 |
|--------------------------------|----------------------------------|---|--------------------------------------|---------------------------------------|--|-------------------------------------|--------------------|-------------------------|----------------------|
| Associates | 5,943 | 6,024 | 6,975 | 585 | 2,818 | 1,672 | 826 | 20,298 | 7,501 |
| Jointly controlled entities | - | - | - | - | - | - | - | 9,602 | - |
| Related companies | - | - | - | - | - | - | 86 | 9 | - |

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

Notes to the Financial Statements

For the year ended October 31, 2008

45. RELATED PARTY TRANSACTIONS – continued

(b) Compensation of key management personnel (including Executive Directors) of the Group during the year:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Salaries, bonus, allowances and benefits in kind | 27,392 | 25,474 |
| Group's contributions to retirement scheme | 177 | 153 |
| Share-based payment | 711 | 2,029 |
| | 28,280 | 27,656 |

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on February 6, 2009.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at October 31, 2008 are as follows:

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|--|---|---|--|--|
| Albert Smith (China) Company Limited | Hong Kong | HK\$10,000 | 76 | Trading and manufacturing of signage |
| Albert Smith Signs (Shanghai) Co., Ltd.* | The PRC | US\$700,000 | 76 | Signs manufacturing, design and consultation |
| Asia Game Show Holdings Ltd. | Hong Kong | HK\$10,000,000 | 60 | Investment holding |
| Beijing Pico Exhibition Services Co., Ltd.** | The PRC | US\$1,897,000 | 100 | Exhibition construction |
| Best Century Industries Ltd. | Hong Kong | HK\$2 | 100 | Fitting outwork in Olympic Equestrian Event |
| BizArt Asia Limited | Hong Kong | HK\$100 | 76 | Business of entertainment, video production and facility research services |

Notes to the Financial Statements

For the year ended October 31, 2008

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|---|---|--|--|--|
| Chongqing Pico Exhibition Services Co. Ltd.*** | The PRC | RMB1,000,000 | 100 | Provision of services relating to exhibitions and trade fairs |
| Expoman Limited | Hong Kong | HK\$2 | 100 | Trading and rental of computer equipment |
| GMC Hong Kong Ltd. | Hong Kong | HK\$10 | 100 | Exhibition construction and interior renovation |
| Guangzhou Pico Exhibition Services Co., Ltd.*** | The PRC | HK\$5,000,000 | 100 | Exhibition construction |
| HIECC Management Company Limited | Vietnam | US\$3,700,000 | 65 | Builders and managers of exhibition and convention centre |
| Intertrade Lanka Management (Pvt) Limited | Sri Lanka | RS8,472,500 | 100 | Design, development, management and operation of exhibitions and convention centre |
| Intertrade (Sri Lanka) Pte Ltd. | Singapore | S\$2 | 100 | Investment holding |
| Intertrade (Vietnam) Pte Ltd. | Singapore | S\$2 | 100 | Investment holding |
| MP International (HKG) Limited | Hong Kong | HK\$10,000 | 100 | Meeting, show and exhibitions administration business |

Notes to the Financial Statements

For the year ended October 31, 2008

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|---|---|--|--|---|
| MP International Pte Ltd. | Singapore | S\$1,500,000 | 100 | Investment holding, provision of services in engaging professional and other personnel in management and organising of conventions, conferences, seminars and management development programmes and courses |
| Parico Electrical Engineering Sdn. Bhd. | Malaysia | Malaysian ringgit 100,000 | 49.5 (Note) | Electrical specialist and contractor for exhibitions, housing and industries |
| Pico Art Exhibit, Inc. | The USA | US\$1,000 | 99 | Exhibition design and construction |
| Pico Art International Pte Ltd. | Singapore | S\$1,390,000 | 100 | Exhibition designers and fabricators, events promotion design and planning, interior architecture and museum fitting out multi-media services, outdoor advertising contractors, and investment holding |
| Pico Atlanta, Inc. | The USA | US\$700,500 | 100 | Exhibition design and construction |
| Pico Chicago Inc. | The USA | US\$1,000 | 100 | Provide services including design and fabrication of exhibition booths at domestic and international exhibitions |

Notes to the Financial Statements

For the year ended October 31, 2008

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|-------------------------------------|---|--|--|--|
| Pico Contracts Limited | Hong Kong | HK\$7,600,000 | 100 | Exhibition construction and decoration |
| Pico Global Services Ltd. | Hong Kong | HK\$100 | 100 | Provision of corporate services and exhibition construction |
| Pico Hong Kong Limited | Hong Kong | HK\$5,000,000 | 100 | Exhibition design, construction and investment holding |
| Pico IES Group (China) Co., Ltd.*** | The PRC | US\$140,000 | 100 | Fabrication of exhibition booths |
| Pico IES Group Ltd. | Hong Kong | HK\$10,000 | 100 | Fabrication of exhibition booths |
| Pico International (Dubai) LLC | Dubai | – | 100 | Exhibition design and construction and interior decoration |
| Pico International (HK) Limited | Hong Kong | HK\$1,000 – ordinary | 100 | Exhibition design and construction and investment holding |
| | | HK\$2,500,000 – non-voting deferred [#] | – | |
| Pico International (M) Sdn. Bhd. | Malaysia | Malaysian ringgit 896,000 | 50 (Note) | Exhibition design and construction, events promotion, interior decoration and architecture |
| Pico International (Macao) Ltd. | Macao | MOP25,000 | 100 | Exhibition construction |

Notes to the Financial Statements

For the year ended October 31, 2008

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|---|---|--|--|---|
| Pico International (UK) Limited | United Kingdom | GBP149,808 | 100 | Exhibition design and construction |
| Pico International, Inc. | The USA | US\$1,000 | 100 | Provision of management services and investment holding |
| Pico International Ltd. | Japan | Yen 10,000,000 | 100 | Exhibition construction and interior renovation |
| Pico International Services Ltd. (formerly known as "Pico International (China) Limited") | Hong Kong | HK\$10,000 | 100 | Exhibition design, construction and decoration |
| Pico International Taiwan Ltd. | Taiwan | NT\$20,000,000 | 100 | Exhibition design and construction and interior decoration |
| Pico Investments BVI Ltd.** | British Virgin Islands | US\$316 | 100 | Investment holding |
| Pico Venture Pte Ltd. (formerly known as "Décor International Pte Ltd.") | Singapore | S\$400,000 | 100 | Investment holding |
| Pico North Asia Ltd. | South Korea | Won 200,000,000 | 99 | Exhibition design and construction |
| Pico Projects (International) Limited | Hong Kong | HK\$100 | 100 | Interior decoration and construction exhibition |
| Pico Theme Projects International Ltd. | Macau | MOP25,000 | 100 | Interior design and construction |
| Shanghai Pico Exhibition Services Co., Ltd.** | The PRC | US\$848,000 | 100 | Exhibition construction |
| Shenzhen Pico Exhibition Services Co., Ltd.*** | The PRC | HK\$1,000,000 | 100 | Exhibition construction |
| Sitiawan Electric Pte Ltd. | Singapore | S\$23,876 | 100 | Installation of electrical fittings and lighting for trade and other exhibition |

Notes to the Financial Statements

For the year ended October 31, 2008

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Group % | Principal activities |
|-------------------------------------|---|--|--|---|
| Tinsel Limited ^{##} | British Virgin Islands | US\$10 | 100 | Investment holding |
| World Expo Bizarts China Co., Ltd.* | The PRC | RMB2,000,000 | 65 | Multi-media production and services |
| World Image International Ltd. | Hong Kong | HK\$1 | 95 | Investment holding, trading of signage, signage consultant and management |
| World Image (Middle East) L.L.C. | Dubai | DHM300,000 | 44 (Note) | Exhibition design and fabrication |

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

[#] The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up. The subsidiary had been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

^{##} Except for Tinsel Limited and Pico Investments BVI Ltd., all other subsidiaries are indirectly held by the Company.

Note: These companies are deemed to be subsidiaries of the Company as the Company controls the composition of the board of directors.

* These subsidiaries are Sino-foreign equity joint ventures.

** These subsidiaries are Sino-foreign cooperative joint ventures.

*** These subsidiaries are registered as wholly-foreign owned enterprise under the PRC law.

Notes to the Financial Statements

For the year ended October 31, 2008

48. PARTICULARS OF PRINCIPAL ASSOCIATES

Details of the Group's principal associates as at October 31, 2008 are as follows:

| Name | Place of incorporation/ operation | Issued and fully paid share capital/registered capital | Attributable equitable interest of the Group % | Principal activities |
|--|--------------------------------------|---|---|---|
| Allied Hill Investment Limited | Hong Kong | HK\$10,000 | 50 | Operation of two lounges at the Hong Kong International Airport |
| Allied Pacific Investment Limited | Hong Kong | HK\$3,000,000 | 50 | Operation of two lounges at the Hong Kong International Airport |
| Global-Link MP Events International Inc. | Philippines | PHP\$1,000,000 | 40 | Organizing and managing exhibitions, conferences and events |
| InfocommAsia Pte Ltd. | Singapore | US\$11,722 | 45 | Management of convention and conferences |
| International Furniture Fair Singapore Pte Ltd. | Singapore | S\$100,000 | 40 | Exhibitions organiser |
| Pico (Thailand) Public Company Ltd. | Thailand | Baht 114,669,980 ordinary shares Baht 330,000 preferred shares | 40 | Exhibition designers, fabricators, outdoor advertising contractors and general advertising agents |
| Xi'an Greenland Pico Int'l Convention and Exhibition Co. Ltd.* | The PRC | RMB125,000,000 | 30 | Management and leasing of exhibition halls including organising of exhibitions and events |

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

* This associate is Sino-foreign equity joint venture.

Notes to the Financial Statements

For the year ended October 31, 2008

49. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities as at October 31, 2008 are as follows:

| Name | Place of incorporation/ registration/ operation | Issued and fully paid share capital/ registered capital | Attributable equitable interest of the Group % | Principal activities |
|--|---|--|---|--|
| Redland Precast Sanderson Pico Ltd. | Macau | MOP30,000 | 33 ¹ / ₃ | Construction |
| Opus Create Limited | United Kingdom | GBP100 | 51 | Event marketing |
| Kenes MP Asia Pte Ltd. | Singapore | S\$100,000 | 50 | Managing exhibitions and conferences in the medical and scientific industries |

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

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