

Directors' Report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended October 31, 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 42 and 43 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 per cent. of the Group's total turnover and purchases for the year.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended October 31, 2002 are set out in the consolidated income statement on page 35.

No interim dividend was paid to the shareholders of the Company during the year.

The Directors now recommend the payment of a final dividend of HK1.5 cents per ordinary share to the shareholders on the register of members on April 4, 2003, amounting to HK\$8,255,000, and the retention of the remaining profit for the year of HK\$7,778,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The deficit arising on revaluation amounting to HK\$997,000 has been charged to the consolidated income statement. Details of this and other movements in investment properties are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings situated outside Hong Kong at a cost of HK\$69,000, leasehold improvements at a cost of HK\$589,000, furniture, fixtures and office equipment at a cost of HK\$3,743,000, tools, machinery, factory equipment and fittings at a cost of HK\$1,541,000, motor vehicles at a cost of HK\$3,558,000 and operating supplies at a cost of HK\$552,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

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SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 28 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, <i>Chairman</i>	
Mr. Louis Cheng Teong Meng, <i>Vice-chairman</i>	(resigned on March 25, 2002)
Mr. James Chia Song Heng	
Mr. Jolly Chang Cheo Lik	(resigned on March 22, 2002)
Mr. Yong Choon Kong	

Non-Executive Director:

Mr. Alain Xavier Cany	(resigned on March 22, 2002)
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Independent Non-Executive Directors:

Mr. Frank Lee Kee Wai	
Mr. Gregory Robert Scott Crichton	
Mr. Charlie Yucheng Shi	(appointed on December 23, 2002)

In accordance with Article 116 of the Company's Articles of Association, Messrs. Yong Choon Kong and Gregory Robert Scott Crichton retire and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mr. Charlie Yucheng Shi was appointed by the Board of Directors as an Independent Non-Executive Director with effect from December 23, 2002 to hold his office until the forthcoming annual general meeting where he will resign and being eligible, offer himself for re-election.

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.

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' Report

DIRECTORS' INTERESTS IN SHARES

At October 31, 2002, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Directors	Number of shares held	
	Personal interests	Other interests (note)
Mr. Lawrence Chia Song Huat	1,081,000	217,057,393
Mr. James Chia Song Heng	—	217,057,393
Mr. Yong Choon Kong	750,000	—
Mr. Frank Lee Kee Wai	—	—
Mr. Gregory Robert Scott Crichton	—	—

Note: These shares are held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust of which Messrs. Lawrence Chia Song Huat and James Chia Song Heng are two of the beneficiaries.

Messrs. Lawrence Chia Song Huat and 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.

Save as disclosed above and other than certain shares in subsidiaries held as nominees by certain Directors of the Group, none of the Directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance, 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

SHARE OPTIONS

Pursuant to the Company's share option scheme ("1992 Scheme") adopted on September 4, 1992, the Directors of the Company may grant options to full time Executive Directors and employees of the Company and its subsidiaries 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, to subscribe for shares in the Company, subject to a maximum of 10 per cent. of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. The purpose of 1992 Scheme is to provide incentives to the employees of the Group. The number of shares in respect of which options may be granted to any one employee, if exercised in full and when aggregated with the total number of shares already issued upon the exercise of options previously granted to an employee, is not permitted to exceed 25 per cent. of the aggregate number of shares for the time being issued or issuable under the 1992 Scheme. Options granted must be taken up within 28 days from the date of offer, and be exercised during the period commencing six months after the Offer Date and expiring on the close of business on the fifth anniversary of that Offer Date. The exercise price is determined by the Directors, and shall not be less than 80 per cent. of the average closing prices of the shares for the five trading days immediately preceding to the Offer Date.

On January 7, 2002, ordinary resolutions were passed by shareholders at an Extraordinary General Meeting to terminate the 1992 Scheme and approve the adoption of new Share Option Scheme ("2002 Scheme") in order to fully comply with Chapter 17 of Hong Kong Listing Rules. Despite the fact that no further options may be granted under 1992 Scheme, all other provisions of this scheme will remain in force to govern the exercise of all the options previously granted.

Details of 2002 Scheme are as follows:

(i) Purpose

The purpose of the 2002 Scheme is to enable 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) Maximum number of shares

- (a) The maximum number of shares available for issue under options which may be granted thereunder is 54,545,725, representing 10 per cent. of the issued share capital of the Company as at the date of adoption of the 2002 Scheme.

Directors' Report

SHARE OPTIONS – continued

(iii) Maximum number of shares – continued

- (b) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other schemes of the Company must not exceed 30 per cent. of the Shares in issue from time to time.

(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 up shall not exceed 1 per cent. of the issued shares capital of the Company.

(v) Timing for exercise of options

- (a) An option may be exercised in accordance with the terms of the 2002 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 2002 Scheme. However, at the time of offer of the grant 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) Acceptance of offers

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the Option is duly signed by the grantee. It shall remain open for acceptance by the grantee concerned for a period of 28 days from the date on which an Option is offered to grantee.

(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 (the "Offer Date");
- (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the Offer Date; or
- (c) the nominal value of the Shares on the Offer Date.

Directors' Report

SHARE OPTIONS – continued

(viii) Life of the scheme

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

(ix) Outstanding options

- (a) 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 1992 Scheme are as follows:

Name of Directors		Outstanding at November 1, 2001	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Transfer to another category	Outstanding at October 31, 2002
Category 1: Directors							
Mr. Lawrence Chia Song Huat	(note (1))	8,816,000	-	-	(8,816,000)	-	-
	(note (2))	240,000	-	-	-	-	240,000
	(note (3))	745,200	-	-	-	-	745,200
Mr. James Chia Song Heng	(note (1))	6,612,000	-	-	(6,612,000)	-	-
	(note (2))	232,000	-	-	-	-	232,000
	(note (3))	700,000	-	-	-	-	700,000
Mr. Louis Cheng Teong Meng	(note (1))	1,102,000	-	-	(1,102,000)	-	-
(resigned on March 25, 2002)	(note (2))	200,000	-	-	-	(200,000)	-
	(note (3))	625,000	-	-	-	(625,000)	-
Mr. Jolly Chang Cheo Lik	(note (1))	1,102,000	-	-	(1,102,000)	-	-
(resigned on March 22, 2002)	(note (2))	168,000	-	-	-	(168,000)	-
	(note (3))	516,800	-	-	-	(516,800)	-
Mr. Yong Choon Kong	(note (1))	1,102,000	-	-	(1,102,000)	-	-
	(note (2))	168,000	-	-	-	-	168,000
	(note (3))	516,800	-	-	-	-	516,800
Mr. Alain Xavier Cany		-	-	-	-	-	-
(resigned on March 22, 2002)		-	-	-	-	-	-
Mr. Frank Lee Kee Wai		-	-	-	-	-	-
Mr. Gregory Robert Scott Crichton		-	-	-	-	-	-
Total Directors		22,845,800	-	-	(18,734,000)	(1,509,800)	2,602,000
Category 2: Employees							
	(note (2))	3,800,000	-	-	-	368,000	4,168,000
	(note (3))	3,800,000	-	-	-	1,141,800	4,941,800
Total employees		7,600,000	-	-	-	1,509,800	9,109,800
Total all categories		30,445,800	-	-	(18,734,000)	-	11,711,800

Directors' Report

SHARE OPTIONS – continued

(ix) Outstanding options – continued

- (b) 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 2002 Scheme are as follows:

Name of Directors		Outstanding at November 1, 2001	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Transfer to another category	Outstanding at October 31, 2002
Category 1: Directors							
Mr. Lawrence Chia Song Huat	(note (4))	–	540,000	–	–	–	540,000
Mr. James Chia Song Heng	(note (4))	–	500,000	–	–	–	500,000
Mr. Louis Cheng Teong Meng (resigned on March 25, 2002)	(note (4))	–	430,000	–	–	(430,000)	–
Mr. Jolly Chang Cheo Lik (resigned on March 22, 2002)	(note (4))	–	360,000	–	–	(360,000)	–
Mr. Yong Choon Kong	(note (4))	–	360,000	–	–	–	360,000
Mr. Alain Xavier Cany (resigned on March 22, 2002)		–	–	–	–	–	–
Mr. Frank Lee Kee Wai		–	–	–	–	–	–
Mr. Gregory Robert Scott Crichton		–	–	–	–	–	–
Total Directors		–	2,190,000	–	–	(790,000)	1,400,000
Category 2: Employees							
	(note (4))	–	3,800,000	–	–	790,000	4,590,000
	(note (5))	–	10,822,000	(2,778,000)	–	–	8,044,000
	(note (6))	–	138,000	(36,000)	–	–	102,000
Total employees		–	14,760,000	(2,814,000)	–	790,000	12,736,000
Total all categories		–	16,950,000	(2,814,000)	–	–	14,136,000

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SHARE OPTIONS – continued

(ix) Outstanding options – continued

Notes:

- (1) The exercise price is HK\$3.428 per share and the option period during which the options may be exercised is the period from September 14, 1997 to March 13, 2002. The date of grant was March 14, 1997.
- (2) The exercise price is HK\$0.63 per share and the option period during which the options may be exercised is the period from May 17, 2000 to December 17, 2004. The date of grant was December 17, 1999.
- (3) The exercise price is HK\$0.49 per share and the option period during which the options may be exercised is the period from May 17, 2001 to December 17, 2005. The date of grant was December 17, 2000.
- (4) The exercise price is HK\$0.604 per share and the option period during which the options may be exercised is the period from February 14, 2002 to January 14, 2007. The date of grant was January 14, 2002, and the closing price of share immediately before the date of grant was HK\$0.6.
- (5) The exercise price is HK\$0.50 per share and the option period during which the options may be exercised is the period from May 2, 2002 to April 30, 2007. The date of grant was April 30, 2002, and the closing price of share immediately before the date of grant was HK\$0.5.
- (6) The exercise price is HK\$0.461 per share and the option period during which the options may be exercised is the period from June 12, 2002 to June 11, 2007. The date of grant was June 11, 2002, and the closing price of share immediately before the date of grant was HK\$0.465.
- (7) The weighted average closing price of shares immediately before the date on which the options were exercised by employees is HK\$0.457.

(x) Valuation of share options

The options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price.

Details of the Company's specific categories of options are set out in note 28(b) to the financial statements.

Directors' Report

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' 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.

CONNECTED TRANSACTIONS

- (i) Expoman.com is a company incorporated in Hong Kong and is principally engaged in the business of internet ordering service. It is wholly owned by ExhibitionOne.com Limited, a company in which 52 per cent. of its issued share capital is held by Pico.com Limited, a wholly-owned subsidiary of the Company, and 18 per cent. held by Meeting Planners (HK) Limited ("MPHK"). MPMK is a company incorporated in Hong Kong with a substantial shareholder who is a relative of an Executive Director of the Company and who is deemed to be a connected person of the Company by the Stock Exchange in accordance with the Listing Rules.

The Group entered into transactions with Expoman.com under this arrangement as ongoing connected transactions ("Transactions"). These transactions were approved by the shareholders on May 31, 2001 and a waiver on the cap amount of not exceeding 5 per cent. of the Group's consolidated turnover for each of the three financial years ending October 31, 2003 was obtained. The Transactions amounted to approximately HK\$3.3 million for the year ended October 31, 2002.

The Independent Non-Executive Directors of the Company had reviewed and confirmed the Transactions made during the year and are of the opinion that the Transactions have been entered into by the Group:

- (a) in the ordinary and usual course of the business of Group;
- (b) on normal commercial terms which expression will be applied by reference to transactions of a similar nature and to be made by similar entities or where there is no available comparison on terms that are fair and reasonable so far as the interests of the shareholders of the Company taken as a whole are concerned;
- (c) with the aggregate value of the Transactions for each of the three financial years ending October 31, 2003 being less than the maximum annual cap as stated above; and

Directors' Report

CONNECTED TRANSACTIONS – continued

- (d) on terms that are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned.

The auditors of the Company had also confirmed to the Board of Directors that the Transactions have been entered into by the Group for the paragraphs (a) to (d) as mentioned above.

- (ii) On August 22, 2001, the Company, Kenlory Limited ("Kenlory"), a wholly-owned subsidiary of the Company, entered into conditional agreements with MPHK and Pine Financial Services Ltd ("PFS"). Pursuant to the agreements, Kenlory conditionally agreed to acquire the entire issued share capital of Meeting Planners International (HK) Limited ("MPIHK") and Meeting Planners International Pte Ltd ("MPI"). The acquisitions constituted connected transactions for the Company under the Listing Rules and were subject to approval by the independent shareholders of the Company pursuant to the Listing Rules.

Upon completion of the acquisitions on October 12, 2001, a deed of profit guarantee was executed by MPHK, PFS and Kenlory. Pursuant to the deed of profit guarantee, MPHK and PFS jointly and severally guaranteed and undertook to Kenlory that the aggregate of the proforma consolidated/combined net profits before taxation of MPI and the proforma profits before taxation of MPIHK (assuming the reorganisation had been completed since November 1, 2000) for the two financial years ending October 31, 2002 will not be less than HK\$20 million in aggregate. For calculation of the actual proforma consolidated/combined net profits before taxation of MPI and the actual proforma profits before taxation of MPIHK for the two years ending October 31, 2002 the financial effect of the following shall be excluded:

- (a) any profits or losses resulting from the reorganisation;
- (b) the value of intangible assets of the MP Group (MPI and its subsidiaries) to be written off in the year ended October 31, 2001; and
- (c) any profits or losses deriving from any new businesses acquired by the MP Group which are not similar to or complementary to the existing businesses carried on by the MP Group after completion of the acquisitions or from any diversification of the existing businesses of the MP Group after completion.

The auditors of Kenlory Limited had confirmed to the Board of Directors that the profit guarantee as mentioned above was met.

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SUBSTANTIAL SHAREHOLDERS

As at October 31, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10 per cent. or more in the issued share capital of the Company:

Name	Number of shares
Nastar Holdings S.A.	217,057,393 (<i>note</i>)
Pine Asset Management Limited	183,424,030

Note: These shares are held through Pine Asset Management Limited, Eunost Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nastar Holdings S.A.. Nastar Holdings S.A. is the trustee of a discretionary trust of which Messrs. Lawrence Chia Song Huat and James Chia Song Heng are two of the beneficiaries.

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the issued share capital of the Company as at October 31, 2002.

CORPORATE GOVERNANCE

Apart from the fact that Independent Non-Executive Directors are not appointed for the specific terms as they are subject to retirement by rotation and re-election at the Annual General Meeting ("AGM") in accordance with the Company's Articles of Association, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDITORS

Messrs. RSM Nelson Wheeler were appointed as auditors of the Company to fill the casual vacancy occasioned by the resignation of Messrs. Deloitte Touche Tohmatsu who shall hold office until the conclusion of the forthcoming AGM. A resolution will be submitted to shareholders at the AGM to reappoint the auditors, RSM Nelson Wheeler.

On behalf of the Board

Lawrence Chia Song Huat

Chairman

Hong Kong, February 18, 2003