

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended October 31, 2005.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in Notes 43 and 44 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, 2005 are set out in the consolidated income statement on page 35.

The Directors now recommend the payment of a final dividend of HK7 cents (2004: HK5 cents) per ordinary share and a special dividend of HK10 cents (2004: nil) per ordinary share, equivalent to a final dividend of HK3.5 cents per ordinary share and a special dividend of HK5 cents per ordinary share after the proposed share subdivision of the Company, which is subject to, inter alia, approval by the shareholders in the extraordinary general meeting to be held on February 20, 2006. Together with the interim dividend of HK3 cents (2004: nil) per ordinary share, the total dividend for the year amounted to HK20 cents (2004: HK5 cents) per ordinary share. The final and special dividends will be payable on April 21, 2006. Shareholders may refer to the announcement of the Company dated January 19, 2006 for details of the proposed subdivision.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 30 to the financial statements.

Investment Properties

The Group's investment properties were revalued at the year end date. The surplus arising on revaluation amounting to HK\$169,000 has been credited 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\$236,000 leasehold improvements at a cost of HK\$830,000, furniture, fixtures and office equipment at a cost of HK\$9,177,000, tools, machinery, factory equipment and fittings at a cost of HK\$7,750,000, motor vehicles at a cost of HK\$3,919,000 and operating supplies at a cost of HK\$8,565,000.

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.

Share Capital

Details of 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, *Chairman*
Mr. James Chia Song Heng
Mr. Yong Choon Kong

Non-Executive Director:

Mr. Frank Lee Kee Wai (Redesignated as Non-Executive Director on December 28, 2004)

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. Lawrence Chia Song Huat and James Chia Song Heng retire and, being eligible, offer themselves 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.

The Company has received from each of 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, 2005, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

		Number of shares/ underlying shares held	
		Personal interests	Other interests
Directors			
Mr. Lawrence Chia Song Huat	(Notes 1, 2)	4,586,200	187,057,393
Mr. James Chia Song Heng	(Notes 1, 3)	3,230,000	187,057,393
Mr. Yong Choon Kong	(Note 4)	2,916,800	–
Mr. Frank Lee Kee Wai		–	–
Mr. Gregory Robert Scott Crichton		–	–
Mr. Charlie Yucheng Shi		–	–
Mr. James Patrick Cunningham		–	–

Notes:

- (1) A total of 187,057,393 shares are held through Pine Asset Management Limited, Eunoss 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 and Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.
- (2) The personal interest of Mr. Lawrence Chia Song Huat represents the interest in 2,966,200 shares and interest in 1,620,000 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. James Chia Song Heng represents the interest in 1,710,000 shares and interest in 1,520,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".
- (4) The personal interest of Mr. Yong Choon Kong represents the interest in 1,986,800 shares and interest in 930,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share options".

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.

Directors' Interests in Shares – continued

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

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

1. 1992 Scheme

The 1992 Scheme was adopted on September 4, 1992 and was terminated on January 7, 2002. It enables the Company to grant options to an Executive, who are 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% of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. It serves as a way of providing incentives to these employees for better performances of the Group. No options may be granted to any one Executive which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said options exceeding 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted 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% of the average closing prices of the shares for the five trading days immediately preceding to the offer date.

As at the date of this annual report, there is no outstanding share options under the 1992 Scheme.

2. 2002 Scheme

(i) Purpose

The 2002 Scheme was adopted on January 7, 2002. It enables the Company to grant options to Eligible Person as an incentive scheme for their contribution to the Group.

Share Options – continued

2. 2002 Scheme – continued

(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% of the issued share capital of the Company as at the date of adoption of the 2002 Scheme.
- (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% 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 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 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 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.

Share Options – continued

2. 2002 Scheme – continued

(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;
- (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 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.

Share Options – continued

3. 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, 2004	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Outstanding at October 31, 2005
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Note 1)	240,000	-	-	(240,000)	-
	(Notes 2, 9)	745,200	-	(745,200)	-	-
Mr. James Chia Song Heng	(Note 1)	232,000	-	-	(232,000)	-
	(Notes 2, 9)	700,000	-	(700,000)	-	-
Mr. Yong Choon Kong	(Note 1)	168,000	-	-	(168,000)	-
	(Notes 2, 9)	516,800	-	(516,800)	-	-
Total Directors		2,602,000	-	(1,962,000)	(640,000)	-
<i>Category 2: Employees</i>						
	(Notes 1, 10)	2,848,000	-	(80,000)	(2,768,000)	-
	(Note 2)	4,941,800	-	-	(4,425,000)	516,800
Total employees		7,789,800	-	(80,000)	(7,193,000)	516,800
Total all categories		10,391,800	-	(2,042,000)	(7,833,000)	516,800

Share Options – continued

3. 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, 2004	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Outstanding at October 31, 2005
<i>Category 1: Directors</i>						
Mr. Lawrence Chia Song Huat	(Notes 3, 9)	540,000	–	(540,000)	–	–
	(Notes 4, 9)	600,000	–	(600,000)	–	–
	(Note 8)	–	1,620,000	–	–	1,620,000
Mr. James Chia Song Heng	(Notes 3, 9)	500,000	–	(500,000)	–	–
	(Notes 4, 9)	510,000	–	(510,000)	–	–
	(Note 8)	–	1,520,000	–	–	1,520,000
Mr. Yong Choon Kong	(Notes 3, 9)	360,000	–	(360,000)	–	–
	(Notes 4, 9)	360,000	–	(360,000)	–	–
	(Note 8)	–	930,000	–	–	930,000
Total Directors		2,870,000	4,070,000	(2,870,000)	–	4,070,000
<i>Category 2: Employees</i>						
	(Note 3)	4,590,000	–	–	(4,230,000)	360,000
	(Note 4)	4,520,000	–	–	(4,160,000)	360,000
	(Notes 5, 10)	2,566,000	–	(2,424,000)	(142,000)	–
	(Notes 6, 10)	2,112,000	–	(1,248,000)	(416,000)	448,000
	(Notes 7, 10)	–	4,740,000	(1,246,000)	–	3,494,000
	(Note 8)	–	930,000	–	–	930,000
Total employees		13,788,000	5,670,000	(4,918,000)	(8,948,000)	5,592,000
Total all categories		16,658,000	9,740,000	(7,788,000)	(8,948,000)	9,662,000

Share Options – continued

3. Outstanding options – continued

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) The exercise price is HK\$0.32 per share and the option period during which the options may be exercised is the period from March 4, 2003 to March 3, 2008. The date of grant was March 3, 2003.
- (5) The exercise price is HK\$0.26 per share and the option period during which the options may be exercised is the period from May 28, 2003 to May 27, 2008. The date of grant was May 27, 2003.
- (6) The exercise price is HK\$0.546 per share and the option period during which the options may be exercised is the period from May 10, 2004 to May 7, 2009. The date of grant was May 7, 2004.
- (7) The exercise price is HK\$1.252 per share and the option period during which the options may be exercised is the period from May 18, 2005 to May 17, 2010. The date of grant was May 17, 2005 and the closing price of share immediately before the date of grant was HK\$1.24.
- (8) The exercise price is HK\$1.71 per share and 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, and the closing price of share immediately before the date of grant was HK\$1.71.
- (9) The weighted average closing price of shares immediately before the date of exercise was HK\$1.06.
- (10) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$0.83.

Share Options – continued

4. 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.

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.

Connected Transactions

Chongqing Nanping Convention And Exhibition Center Management Co. Ltd. ("Chongqing Nanping") is a sino-foreign equity joint venture owned by Chongqing City Construction Investment Corporation ("CCCIC") and Pico AsiaPacific Link Co. Ltd., a wholly-owned subsidiary of the Company. CCCIC is a substantial shareholder of Chongqing Nanping, a non-wholly owned subsidiary of the Group, and thus a connected person of the Group under the Listing Rules.

Chongqing Nanping entered into a management agreement with CCCIC in connection with the management of the Chongqing International Convention & Exhibition Centre (the "Centre") for a term up to December 31, 2015. Chongqing Nanping has to pay to CCCIC, being the owner of the Centre, annual fees based on the annual total operating income derived in connection with carrying out business of renting conference and exhibition space of the Centre, these (the "Transactions") will constitute ongoing connected transactions of the Group under the Listing Rules.

These Transactions were approved by Shareholders on May 20, 2005 and a waiver on the annual cap amounts of not exceeding all the contracted fees payable by Chongqing Nanping to CCCIC was obtained. The cap amounts for each financial year from October 31, 2005 to 2016 are RMB550,000, RMB5,000,000, RMB6,000,000, RMB7,000,000, RMB8,000,000, RMB9,500,000, RMB10,500,000, RMB11,500,000, RMB12,500,000, RMB14,000,000, RMB15,000,000 and RMB2,500,000 respectively.

The Transactions amounted to RMB486,342 for the year ended October 31, 2005.

Connected Transactions – continued

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 the 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) in accordance with the management agreement between Chongqing Nanping and CCCIC effected on May 20, 2005; and
- (d) with the aggregate value of the Transactions being within the Cap for the financial year ended October 31, 2005 as set out in the circular to shareholders dated May 3, 2005.

The auditors of the Company had also confirmed to the Board of Directors that the Transactions have been entered into by the Group in accordance with the management agreement and have not exceeded the cap in 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.

Substantial Shareholders

As at October 31, 2005, 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
Nastar Holdings S.A.	(Note 1)	187,057,393
Pine Asset Management Limited		153,424,030
Mr. Chia Song Piyau	(Note 2)	49,610,000
Pine Financial Services Ltd		49,500,000
Commonwealth Bank of Australia		34,492,000
DJE Investment S.A.	(Note 3)	34,174,000
Dr. Jens Ehrhardt Kapital AG		34,174,000
Dr. Jens Alfred Karl Ehrhardt		34,174,000

Substantial Shareholders – continued

Notes:

- (1) These shares are mainly 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 Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.
- (2) Of this total number, 49,500,000 shares are held by Pine Financial Services Ltd which is a company controlled by Mr. Chia Song Piyau.
- (3) 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, 2005.

Model Code for Securities Transactions by Directors

The Company has adopted the Code of Conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules during the relevant accounting period and all Directors have complied with the required standard of dealings set out therein.

Corporate Governance

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to January 1, 2005 throughout the accounting period covered by the annual report apart from the fact that the non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices on January 1, 2005 but transitional arrangements for disclosure are applicable in respect of accounting periods commencing on or after January 1, 2005. The Company has taken relevant actions to comply with and will report on its compliance with applicable requirements of the Code of Corporate Governance in due course.

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 some internal control and financial reporting matters.

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 has purchased, sold or redeemed any of the Company's listed securities.

Auditors

A resolution to re-appoint Messrs. RSM Nelson Wheeler as auditors 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 16, 2006