

Directors' Report

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended October 31, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in Notes 47 and 48 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, 2006 are set out in the consolidated income statement on page 44.

The Directors now recommend the payment of a final dividend of HK3.5 cents (2005: final dividend of HK3.5 cents and special dividend of HK5 cents adjusted for the effect for the share subdivision) per ordinary share. Together with the interim dividend of HK2 cents (2005: HK1.5 cents adjusted for the effect for the share subdivision) per ordinary share, the total dividend for the year amounted to HK5.5 cents (2005: HK10 cents adjusted for the effect for the share subdivision) per ordinary share. The final dividend will be payable on March 16, 2007 to shareholders on the register of members of the Company on February 23, 2007.

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 34 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\$682,025,000 (2005: HK\$692,106,000). 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 increase on investment properties arising on revaluation amounting to HK\$10,000 has been credited to the consolidated income statement. Details of this and other movements in investment properties are set out in Note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired buildings situated outside Hong Kong at a cost of HK\$283,000, leasehold improvements at a cost of HK\$2,995,000, furniture, fixtures and office equipment at a cost of HK\$8,728,000, tools, machinery, factory equipment and fittings at a cost of HK\$10,466,000, motor vehicles at a cost of HK\$5,304,000 and operating supplies at a cost of HK\$6,020,000 and completed a self-developed building situated in Hong Kong at a cost of HK\$12,218,000.

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 32 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. Gregory Robert Scott Crichton, Charlie Yucheng Shi and James Patrick Cunningham 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, 2006, 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
		Personal interests	Other interests	Total interests	of the Company
Mr. Lawrence Chia Song Huat	(Notes 1, 2)	11,972,400	344,114,786	356,087,186	29.92%
Mr. James Chia Song Heng	(Notes 1, 3)	9,210,000	344,114,786	353,324,786	29.68%
Mr. Yong Choon Kong	(Note 4)	7,233,600	–	7,233,600	0.61%
Mr. Frank Lee Kee Wai		–	–	–	–
Mr. Gregory Robert Scott Crichton		–	–	–	–
Mr. Charlie Yucheng Shi		–	–	–	–
Mr. James Patrick Cunningham		–	–	–	–

Notes:

- (1) A total of 344,114,786 shares are held through Pine Asset Management Limited, Eunoss Limited and Chestnut Asset Management Limited which are wholly owned subsidiaries of Nistar Holdings S.A.. Nistar 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 5,932,400 shares and interest in 6,040,000 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 3,420,000 shares and interest in 5,790,000 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 3,673,600 shares and interest in 3,560,000 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.

During the year, 516,800 share options granted under the 1992 Scheme were exercised. Therefore, as at the date of this annual report, there is no outstanding share options under the 1992 Scheme. The exercise price is HK\$0.49 per share.

1. 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.

(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.

SHARE OPTIONS – continued

1. 2002 Scheme – continued

(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 2002 Scheme and any other schemes must not in aggregate exceed 109,091,450 shares, representing approximately 9.17% of the issued share capital as at October 31, 2006.

(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.

(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.

SHARE OPTIONS – continued

1. 2002 Scheme – continued

(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

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 2002 Scheme are as follows:

Name of directors		Outstanding at November 1, 2005	Number of share options granted before Share Subdivision	Number of share options exercised before Share Subdivision	Number of share options lapsed before Share Subdivision	Addition due to adjustment for the Share Subdivision made during the year	Number of share options granted subsequent to Share Subdivision	Number of share options exercised subsequent to Share Subdivision	Number of share options lapsed subsequent to Share Subdivision	Outstanding at October 31, 2006
<i>Category 1: Directors</i>										
Mr. Lawrence Chia Song Huat	(Note 5)	1,620,000	-	-	-	1,620,000	-	-	-	3,240,000
	(Note 6)	-	800,000	-	-	800,000	-	-	-	1,600,000
	(Note 8)	-	-	-	-	-	1,200,000	-	-	1,200,000
Mr. James Chia Song Heng	(Note 5)	1,520,000	-	-	-	1,520,000	-	-	-	3,040,000
	(Note 6)	-	800,000	-	-	800,000	-	-	-	1,600,000
	(Note 8)	-	-	-	-	-	1,150,000	-	-	1,150,000
Mr. Yong Choon Kong	(Note 5)	930,000	-	-	-	930,000	-	-	-	1,860,000
	(Note 6)	-	500,000	-	-	500,000	-	-	-	1,000,000
	(Note 8)	-	-	-	-	-	700,000	-	-	700,000
Total Directors		4,070,000	2,100,000	-	-	6,170,000	3,050,000	-	-	15,390,000
<i>Category 2: Employees</i>										
	(Note 1)	360,000	-	-	-	360,000	-	-	-	720,000
	(Note 2)	360,000	-	-	-	360,000	-	-	-	720,000
	(Notes 3, 9)	448,000	-	(448,000)	-	-	-	-	-	-
	(Notes 4, 9)	3,494,000	-	(1,184,000)	(146,000)	2,164,000	-	(1,996,000)	(652,000)	1,680,000
	(Note 5)	930,000	-	-	-	930,000	-	-	-	1,860,000
	(Notes 7, 9)	-	-	-	-	-	4,024,000	(1,074,000)	-	2,950,000
	(Note 8)	-	-	-	-	-	450,000	-	-	450,000
Total employees		5,592,000	-	(1,632,000)	(146,000)	3,814,000	4,474,000	(3,070,000)	(652,000)	8,380,000
Total all categories		9,662,000	2,100,000	(1,632,000)	(146,000)	9,984,000	7,524,000	(3,070,000)	(652,000)	23,770,000

SHARE OPTIONS – continued

2. Outstanding options – continued

Notes:

- (1) The exercise price is HK\$0.604 per share prior to the Share Subdivision and HK\$0.302 adjusted for the effect of the Share Subdivision. 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.
- (2) The exercise price is HK\$0.32 per share prior to the Share Subdivision and HK\$0.16 adjusted for the effect of the Share Subdivision. 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.
- (3) 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.
- (4) The exercise price is HK\$1.252 per share prior to the Share Subdivision and HK\$0.626 adjusted for the effect of the Share Subdivision. 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.
- (5) The exercise price is HK\$1.71 per share prior to the Share Subdivision and HK\$0.855 adjusted for the effect of the Share Subdivision. 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.
- (6) The exercise price is HK\$1.972 per share prior to the Share Subdivision and HK\$0.986 adjusted for the effect of the Share Subdivision. 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, and the closing price of share immediately before the date of grant was HK\$0.985 adjusted for the effect of the Share Subdivision.
- (7) The exercise price is HK\$2.1 per share and 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 and the closing price of share immediately before the date of grant was HK\$2.05.
- (8) The exercise price is HK\$1.63 per share and 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, and the closing price of share immediately before the date of grant was HK\$1.63.
- (9) The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$1.551.

SHARE OPTIONS – continued**3. Valuation of share options**

- (i) The fair values of the share options granted in the current year measured as at various dates of grant ranged from HK\$0.002 to HK\$0.351 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 before Share Subdivision	Exercise price after Share Subdivision	Based on expected life of share options	Expected volatility	Weighted average share price	Risk-free rate	Annual dividend yield
May 7, 2004							
4th Tranche	HK\$0.546	N/A	1.5 years	60.43%	HK\$0.530	1.528%	11.27%
May 17, 2005							
2nd Tranche	HK\$1.252	HK\$0.626	0.5 year	44.35%	HK\$1.240	2.377%	12.04%
3rd Tranche	HK\$1.252	HK\$0.626	1.0 year	44.35%	HK\$1.240	2.611%	12.04%
4th Tranche	HK\$1.252	HK\$0.626	1.5 years	44.35%	HK\$1.240	2.783%	12.04%
July 25, 2005	HK\$1.710	HK\$0.855	0.5 year	44.65%	HK\$1.710	2.970%	8.73%
December 14, 2005	HK\$1.972	HK\$0.986	0.5 year	44.65%	HK\$1.880	3.680%	12.71%
May 16, 2006							
1st Tranche	N/A	HK\$2.100	0.0 year	47.13%	HK\$2.025	3.491%	7.37%
2nd Tranche	N/A	HK\$2.100	0.5 year	47.13%	HK\$2.025	3.890%	7.37%
3rd Tranche	N/A	HK\$2.100	1.0 year	47.13%	HK\$2.025	4.078%	7.37%
4th Tranche	N/A	HK\$2.100	1.5 years	47.13%	HK\$2.025	4.187%	7.37%
August 29, 2006	N/A	HK\$1.630	0.5 year	48.65%	HK\$1.630	3.640%	10.08%

- (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 recognized the total expenses of HK\$1,617,000 for year ended October 31, 2006 (2005: HK\$1,238,000) 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.

CONNECTED TRANSACTIONS

Chongqing Nanping Convention And Exhibition Center Management Co. Ltd. ("Chongqing Nanping") is a sino-foreign 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 Center, 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 RMB4,646,745 for the year ended October 31, 2006.

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, 2006 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, 2006, 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
Nastar Holdings S.A.	(Note 1)	344,114,786	28.91%
Pine Asset Management Limited		276,848,060	23.26%
Mr. Chia Song Piyau	(Note 2)	99,220,000	8.34%
Pine Financial Services Ltd		99,000,000	8.32%
DJE Investment S.A.	(Note 3)	68,348,000	5.74%
Dr. Jens Ehrhardt Kapital AG		68,348,000	5.74%
Dr. Jens Alfred Karl Ehrhardt		68,348,000	5.74%

Notes:

- (1) 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 Mr. Lawrence Chia Song Huat and Mr. James Chia Song Heng are two of the beneficiaries.
- (2) Of this total number, 99,000,000 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, 2006.

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, January 22, 2007