

Chairman's Statement

I am pleased to present to our shareholders, the annual report of Pico Far East Holdings ("the Company") and its subsidiaries ("the Group") for the year ended October 31, 2000.

Results

The consolidated turnover of the Company amounted to HK\$1,222 million (1999: HK\$1,018 million). The consolidated profit attributable to shareholders was HK\$46 million (1999: HK\$49 million). Earnings per share was 9.29 cents (1999: 9.98 cents per share).

Dividend

The directors of the Company recommend a final dividend of HK3.5 cents per share (1999: HK2.5 cents per share).

Business Review

For the year ended October 31, 2000, the Group's turnover was HK\$1,222 million, which has increased by HK\$204 million or approximately 20% compared with that of 1999. The Group's profit attributable to shareholders for the year was HK\$46 million (1999: HK\$49 million). Excluding the exceptional gain of HK\$56 million from the 1999 profit, the Group has achieved a distinct improvement in its operational performance for the year ended October 31, 2000. Our profit from operations increased to approximately HK\$70 million (1999: HK\$28 million). Our business has recovered from the Asian financial crisis, and the growth rate is accelerating.

Exhibition stand design and fabrication including events promotion accounted for about 83% of the total turnover. During the year the Group was involved in many important exhibitions held in Asia, Europe, and the Middle East. In particular, the Group was involved in the construction of 6 national pavilions at the World Exposition 2000 held in Hannover in June 2000. These pavilions included Singapore, Thailand, Malaysia, Japan, South Africa and Lesotho.

Museum interior fit outs accounted for about 12% of our total turnover. During the year, the Group successfully completed the fabrication of exhibits for three world class museums. These were the Hong Kong Heritage Museum which was officially opened by the Chief Executive of the HKSAR on December 16, 2000; The Taipei Children Recreation Centre which was opened in October 2000; and The Scientific Centre in Kuwait which was opened in April 2000.

Sales of goods and other activities of the Group accounted for about 5% of the total turnover. This included income from the signage business, multimedia projects carried out at festivals, road shows and other special events throughout Asia.

During the year, our subsidiary, Pico International (Malaysia) Sdn. Bhd., was awarded the Enterprise 50 Award, which is an annual event organised by the Malaysian Ministry of Trade and Industry to identify the best 50 performing companies in Malaysia. The Group was also awarded the Hong Kong Trade Development Council Services Award for Export Marketing 2000. This Award gives recognition to Hong Kong's services providers for their excellence in export marketing.

Chairman's Statement

Financial Review

Liquidity and capital structure

At October 31, 2000, the total net assets of the Group was HK\$407 million. It has increased by HK\$16 million or approximately 4% compared with that of 1999. In terms of liquidity, the current ratio (current assets, current liabilities) was 1.09 times (1999: 1.02 times). The Group's bank and cash balances increased to HK\$129 million (1999: HK\$98 million). Correspondingly, the Group's bank loans and bank overdrafts reduced to HK\$177 million (1999: HK\$205 million). Although the portion of the bank borrowings due on demand or within one year was maintained at HK\$133 million (1999: HK\$132 million), the remaining long term portion was reduced to HK\$ 44 million (1999: HK\$ 73 million). Upon our continuing control on the capital expenditure during the year, the cash and cash equivalents at the end of the year increased by HK\$40 million or approximately 52% compared with that of 1999. The Group's gearing ratio (long term debts / total assets) reduced to 4.3 % (1999: 7.7 %). All in all, our existing sound financial position can facilitate the Group to capitalize on any business expansion and investments opportunities in the future.

Although our subsidiaries are located in many different countries of the world, over 70% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars and US dollars, and the remaining 30% were denominated in other Asian currencies and Europe currencies. Bank borrowings are mainly denominated in Singapore dollars, Hong Kong dollars and US dollars, and the interests are charged on a floating rate basis. Since we are already diversified in many different currencies and the major Asian currencies had been stable throughout the year, the Group's exposure to foreign exchange risk was minimal.

Contingent liabilities

At October 31, 2000, the Group did not have any significant contingent liabilities. For corporate guarantees, the Company issued guarantees of approximately HK\$397 million (1999: HK\$337 million) to bankers to secure general banking facilities granted to certain subsidiaries, an investee company and an associate of which approximately HK\$76 million was utilised at October 31, 2000 (1999: HK\$97 million).

Pledge of assets

At October 31, 2000, the Group has pledged bank deposits of approximately HK\$20 million (1999: HK\$18 million), land and buildings and investment properties with aggregate net book values of approximately HK\$224 million (1999: HK\$207 million) and HK\$48 million (1999: HK\$79 million), respectively, as collaterals for credit facilities granted to the Group by certain banks. The pledged bank deposits are applied to secure the short-term bank borrowings.

Employees and emoluments policies

At October 31, 2000, the Group has a total of 1,419 full time employees (1999: 1,445) engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. Total staff costs amounted to HK\$235 million (1999: HK\$192 million).

Chairman's Statement

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salaries trends in various regions, and will be reviewed regularly every year. In addition, the board may exercise its discretion to grant share options to the directors and employees as an incentive to their contribution to the Group. At the end of the financial year under review, the Group had granted a total of 18,734,000 share options with an exercise price of HK\$3.428 per share and a total of 4,808,000 with an exercise price of HK\$0.63 per share to the directors and the employees in accordance to the Group's Share Option Scheme adopted on September 4, 1992.

Prospects

In December 2000, the Group was involved in the construction of more than 30 exhibition stands for various international telecommunications companies at the Asia Telecom 2000 which was held at the Hong Kong Convention and Exhibition Centre.

The Group will also be involved as the official contractor for the International Leather Fair which will be held in Hong Kong in April 2001.

The museum division will be fully engaged this year with the fitting out of the Hong Kong History Museum. In November 2000, the Group won a contract to fabricate museum exhibits for the Taipei Astronomical Museum in Taiwan with contract value more than HK\$100 million. This project will run for a period of about 18 months.

On e-commerce, the Group has launched expoman.com which is an exhibition industry procurement portal. This is a portal where Softbank China Venture Capital holds a 20% interest. We intend to promote this into the leading portal for the exhibition industry.

Conclusion

On behalf of the shareholders, I would like to thank all our customers and business associates for their support and to all our staff their contributions during the past year.

Lawrence Chia Song Huat

Chairman

February 16, 2001

Hong Kong