

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, 2001.

RESULT

Group's turnover of HK\$1,318 million for the year ended October 31, 2001 (2000: HK\$1,222 million) was HK\$96 million (or 8%) higher than the previous year. This is the highest annual turnover ever recorded by the Group. Gross Profit was HK\$434 million which represents an increase of 1.3% over the previous year. These are excellent results inspite of the September 11 crisis which affected many businesses including the exhibition and convention industry.

The September 11 crisis caused the Group's turnover to be lower than what it could have achieved in the second half of its financial year. Several exhibitions of which the Group had contracted for were cancelled because of security concerns and inconvenience imposed on airline passengers. Unfortunately, most of the events in the exhibition and convention industry are traditionally held in autumn each year. Although advance payments were received, many indirect costs could not be recovered due to these cancellations. Consequently, our Group's profit before taxation fell to HK\$44.6 million (2000: HK\$57.1 million) which was 22% lower than that of the previous year.



Mercedes-Benz@22nd Bangkok International Motor Show

DIVIDEND

The directors of the Company recommend a final dividend of HK3.0 cents per share (2000: HK3.5 cents per share) which represents a yield of approximately 5% based on the closing share price preceding the date of this report.

REVIEW OF OPERATIONS

The Group is currently organised into five business divisions which support each other. These are exhibition and event marketing, sign advertising, museum exhibits, conferences, and multimedia services.

Exhibition and Event Marketing

This continues to be the principal line of the Group's business and accounts for 81% of the total Group turnover (2000: 83%).

The exhibition and event division is coordinated centrally at the corporate level.

This enables Pico to mobilise the global resources of its international network of offices in 19 countries to support high profile international exhibitions and events across the major exhibition cities in Asia and Europe. It also enables Pico to keep a central point of contact with its multinational clients so as to better serve their global exhibition needs. Amongst many international exhibitions which Pico had provided its services during the financial year were the International Telecommunication Union's Asia Telecom 2000 which was held in Hong Kong in December 2000; the 5th International Defence Exhibition which was held in Abu Dhabi in March 2001; Communic Asia 2001 which was held in Singapore in May 2001; the Bangkok International Motor Show which was held in April 2001;

Chairman's Statement

A Tribute to the Amir of Bahrain which was held in March 2001, and Semicon Taiwan which was held in September 2001.

At these exhibitions and events, Pico offered a complete marketing solution service which included design, project management, stand fabrication, multimedia services, roadshows and product launches.

Exhibition is a three-dimensional marketing medium and is an important tool for creating brand awareness. We help companies to position their corporate image and products in the exhibition venue where many other exhibitors compete for the attention of the same customers. Our services go beyond the mere aesthetic aspect of the exhibition stand. Ultimately, our service must help our clients to sell their products and this has helped us to receive repeat business.

Sign Advertising

The sign advertising division which is based in Shanghai, China, did very well in the year. Sign advertising which involves positioning tangible Corporate Image (CI) both indoor and outdoor is an invaluable asset in winning customers. Our sign advertising division will continue to do well in the years ahead because of China's entry into the WTO. China is now the latest market place for MNC's from all industries. In this respect, intensive marketing and advertising activities are expected. This trend is now evident from the customer base of the Group which includes McDonald's, General Motors, Caltex, Toyota, Nokia, Carrefour, Kodak, Ericsson and others.

This division has expanded to Beijing so as to position its services for the Beijing Olympic Games 2008. Based on the business that our joint venture partner,

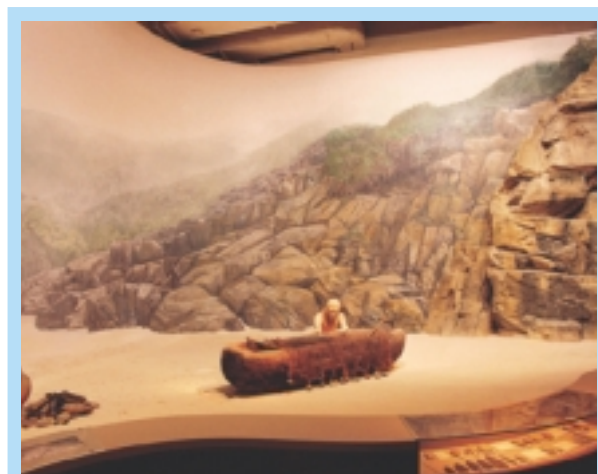
Albert Smith of Australia, had derived from the Sydney Olympic 2000, we expect that the service of Pico's Shanghai Albert Smith will be in great demand preceding the Beijing Olympic 2008.

Museum Exhibits

This division accounts for about 15% of the Group's turnover (2000: 12%). During the year, the Group successfully completed the fabrication of exhibits for the world class Hong Kong History Museum which was opened on August 29, 2001. The Group also managed the masterplan of the Shanghai Science Land Museum which was the venue of the APEC (Asia Pacific Economic Conference) held in Shanghai in October 2001.

The Group also commenced work at the Taipei Astronomical Science Museum. This is Phase II of the same museum where the group completed the Phase I in 1996.

During the year the Group also carried out other museum projects in Singapore such as the Sun Yat Sen Villa, the Chinatown Heritage Museum and the Airforce Museum.



Hong Kong History Museum

Chairman's Statement

Conferences

Meeting Planners Group was acquired towards the end of the year and trades under the name of Meeting Planners. It provides management services to conference and exhibition organisers, as well as managing exhibitions in partnership with trade directory publishers and trade organisations. The acquisition of Meeting Planners will enable the Group to reap the fast expanding conference business in China. The integration of Meeting Planners with Pico business has been very smooth.

Meeting Planners also managed the ITMA (International Textile Machinery Association) show which was held in October 2001 in Singapore. This show occupied more than 50,000 square meters of exhibition area.

Meeting Planners has also been contracted to manage about 6 conferences and exhibitions in China over the next 2 years.

Multimedia Services

As part of the ongoing effort to provide value added service to our clientele, we have formalised our multimedia services into a strategic business unit. This unit consolidates the global resources of the Group's multimedia assets and expertise. By doing so, we are



International Textile Machinery Association, Singapore

able to offer our customers a full range of multimedia equipment and service to suit their specific requirements. So far the results have been very encouraging.

In particular, we were awarded the contract to provide our service at the APEC (Asia Pacific Economic Conference) which was held in Shanghai in October 2001. The multimedia division was also appointed by JVC of Japan to produce a special TV commercial for the Korean market. We produced the TV advertisement from concept design, to project planning, video shooting, editing, modelling and music selection. This TV advertisement highlighted the mobility and lightness of the JVC's new digital video camera.

All in all, these 5 divisions complement each other and enable the Group to provide a complete event marketing service to our customers. Our customers can look to us to



A Tribute to the Amir of Bahrain

design, create and provide multimedia services, TV commercials, conference management, permanent exhibits and sign advertising to market their products and to create brand awareness.

FINANCIAL POSITION

At October 31, 2001, the total net assets of the Group was HK\$406 million. In terms of liquidity, the current ratio (current assets / current liabilities) was 1.11 times , which has improved from 1.09 times of the previous year. The Group's bank and cash balances, excluding pledged bank deposits of HK\$17 million (2000: HK\$20 million), have improved from HK\$129 million in 2000 to HK\$189 million in 2001. Correspondingly, the Group's total borrowings due within one year were reduced to HK\$85 million (2000: HK\$136 million), and the remaining portion due more than one year were reduced to HK\$28 million (2000: HK\$47 million). Upon our continuing control on the capital expenditure during the year, the cash and cash equivalents at the end of the year has increased by HK\$73 million or approximately 67% compared with that of 2000. The Group's gearing ratio (long term debts / total assets) was reduced to 2.8 % (2000: 4.3 %). 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, Renminbi and US dollars, and the remaining 30% were denominated in other Asian currencies and European currencies. Bank borrowings are mainly denominated in Singapore dollars, Hong Kong dollars and US dollars, and the interest is charged on a floating rate basis.

Since we are already diversified in many different currencies and the major Asian currencies are quite stable throughout the year, the Group's exposure to foreign exchange risk is minimal.

EMPLOYEES AND EMOLUMENTS POLICIES

As at October 31, 2001, the Group employs a total of approximately 1,367 full time employees (2000: 1,419) engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers.

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, 2001, the Group has pledged bank deposits of approximately HK\$17 million (2000: HK\$ 20 million), land and buildings and investment properties with aggregate net book values of approximately HK\$238 million (2000: HK\$224 million) and HK\$25 million (2000: HK\$48 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.

Chairman's Statement

CONTINGENT LIABILITIES

- (i) At October 31, 2001, Pico Hong Kong Limited, a wholly-owned subsidiary of the Company, was named as second defendant in a civil proceeding brought by an employee of the Group's subcontractor for alleged personal injuries and future losses of earnings suffered during work in 1997. The employee had been compensated under the subcontractor's workmen compensation insurance scheme and the amount further claimed against the Group's subcontractor as First Defendant and Pico Hong Kong Limited by the said employee was HK\$4.6 million.

Since the above claims should have been covered by the Group's workmen compensation insurance, no provision has been made in these financial statements as the directors do not consider that there will be any probable loss.

- (ii) At October 31, 2001, the Company had issued guarantees of approximately HK\$478 million (2000: HK\$397 million) to bankers to secure general banking facilities granted to certain subsidiaries, an investee company and an associate of which approximately HK\$80 million was utilised at October 31, 2001 (2000: HK\$76 million).

PROSPECTS

In spite of the negative business sentiment in the immediate months after the September 11 crisis, the outlook for the Group's business will improve in the months ahead.

The Group's business is concentrated in Asia with a strong focus on China. The potential growth of business after China's entry into the WTO is only beginning to be realised. Total marketing solution service providers like Pico will be in great demand by multinational companies which are selling into the China market. Conversely, Chinese multinationals have better access to the world market place. These companies also use our services.

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

Hong Kong, February 19, 2002