

Chairman's Statement

I am pleased to present to our shareholders, the annual report of Pico Far East Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended October 31, 2003.

RESULTS

The Group's turnover for the year ended October 31, 2003 was HK\$971 million (2002: HK\$1,012 million). During the period under review, several exhibitions were reduced in size while others were cancelled due to the US-Iraq war and the outbreak of the Severe Acute Respiratory Syndrome ("SARS"). The exhibition industry was adversely affected by these 2 events.

However, the Group was able to recover strongly after the SARS was brought under control in July 2003. Consequently, the Group was able to reverse the first half year's net loss attributable to shareholders in the sum of HK\$13.9 million into a net profit of HK\$12.9 million (2002: HK\$16 million) for the year ended October 31, 2003.

FINAL DIVIDEND

The Directors of the Company recommend a final dividend of HK2 cents per share (2002: HK1.5 cents per share) which represents a yield of approximately 4% based on the closing price preceding the date of this report. The final dividend will be payable on Wednesday, May 12, 2004.

BUSINESS REVIEW

The Group is principally engaged in exhibitions and events marketing. It is also engaged in museum and permanent exhibits; sign advertising; conferences and show organisation; and the development and management of exhibition halls.

Exhibitions and Events Marketing

This is the principal line of the Group's business which accounts for 82% (2002: 79%) of the total Group's turnover.

Despite the cancellation of many shows between May and July 2003, the overall turnover of HK\$798 million (2002: HK\$802 million) is comparable to that of the previous year's. Without SARS, the overall turnover would have been significantly higher than that of the previous year's.

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BUSINESS REVIEW – continued

Exhibitions and Events Marketing – continued

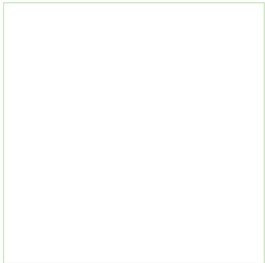
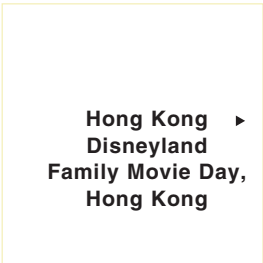
In particular, the Group was involved in several important exhibition shows during the second half of the year such as the World Telecom in Geneva, the Gulf Information Technology Exhibition in Dubai, the SIBOS in Singapore, Jewellery & Watch Fair in Hong Kong, All in Print in Shanghai, Autumn Trade Fair 2003 in Guangzhou and Semicon in Taipei.

For the new financial year, the Group will be involved as a consortium member of a contract involving the supply of temporary facilities at the Athens Olympics 2004. This contract is worth about US\$20 million and the Group has a 40% interest. This project will enhance the Group’s position to bid for similar contracts at future sports events such as the Asian Games 2006 and the Beijing Olympics 2008.

Museum and Permanent Exhibits

The division accounts for approximately 5% of the Group’s total turnover (2002: 11%). This decline is due to the absence of large museum projects. However there are several projects in the pipeline and the Group has a good chance of securing some of them.

This division is now actively involved in the construction of some sections of the Hong Kong Disneyland Theme Park.



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BUSINESS REVIEW – continued

Sign Advertising

The sign advertising division is based in Shanghai and Beijing, China. It produces shop signages for customers such as Kodak, Motorola, Nissan, TCL, McDonald's and Shanghai General Motors.

The business has increased during the year under review due to the growth of the retail sector in China.

Conferences and Show Organisation

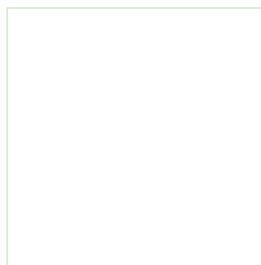
The Group operates this business through its subsidiaries under the "Meeting Planners" name.

The show organising business was adversely affected by SARS as many conferences were cancelled. This has passed and the Group is now engaged in the planning, organisation, and execution of the ITMA 2005 (international textile machinery show) which will be held in Singapore in 2005. This show will cover a gross area of about 100,000 square metres and is expected to generate a total revenue of about HK\$180 million. The previous ITMA event held in 2001 covered 60,000 square metres and generated approximately HK\$80 million.

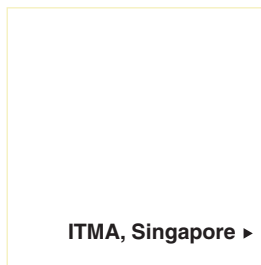
Hall Management

The Group operates the Sri Lanka Exhibition and Conference Centre ("SLECC") in Colombo and the Ho Chi Minh City International Exhibition and Convention Centre ("HIECC").

Both halls were profitable during the year under review.



◀ TCL Showroom,
Shanghai



ITMA, Singapore ▶



Chairman's Statement

FINANCIAL POSITION

At October 31, 2003, the total net tangible assets of the Group was about HK\$432 million (2002: HK\$420 million). In terms of liquidity, the current ratio (current assets/current liabilities) was maintained at about 1.24 times (2002: 1.22 times). The total bank and cash balances and the pledged bank deposits of the Group were about HK\$179 million (2002: HK\$202 million), and the reduction was due to the settlement of the Group's borrowings during the year which were reduced by about HK\$20 million to HK\$108 million at October 31, 2003. Upon our continuing control on the capital expenditure, our cash flow is still strong. At the end of the year, the cash and cash equivalents balance was about HK\$151 million (2002: HK\$177 million). The Group's gearing ratio (long term debts/total assets) of 3% (2002: 3.4%) is still very low. All in all, our financial position remains strong and this will enable 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 67% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining 33% 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, 2003, the Group employs a total of approximately 1,300 full time employees (2002: 1,400) engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. To reduce the staff costs, the Group has localized its manpower in PRC operations. The staff costs incurred in the year was about HK\$200 million (2002: HK\$223 million).

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.

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PLEDGE OF ASSETS

At October 31, 2003, the Group has pledged bank deposits of approximately HK\$22 million (2002: HK\$18 million), land and buildings, investment properties, accounts receivable, inventories and equipment with aggregate net book values of approximately HK\$242 million (2002: HK\$266 million), HK\$13 million (2002: HK\$4 million), HK\$13 million (2002: HK\$8 million), HK\$1 million (2002: HK\$2 million) and HK\$2 million (2002: HK\$1 million), respectively, as collaterals for credit facilities granted to the Group by certain banks. The pledged bank deposits are applied to secure short-term bank borrowings.

CONTINGENT LIABILITIES

- (i) The Group and the Company have executed guarantees in proportion to their shareholdings in these companies to certain banks for facilities granted to them at the end of the year as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities granted to				
– subsidiaries and related companies	–	–	445,756	424,957
– associates	4,000	4,000	–	–
– investee company	18,025	18,025	–	–
	22,025	22,025	445,756	424,957

- (ii) At October 31, 2003, Pico Hong Kong Limited, a wholly-owned subsidiary of the Company, was named as the first defendant in a civil proceeding brought by an employee of the Group's subcontractor of HK\$2.9 million for alleged personal injuries and future losses of earnings suffered during work.

The Group has sought legal advice regarding certain claims proceedings however no provision for any potential liability has been made in these financial statements.

Chairman's Statement

CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments at October 31, 2003.

PROSPECTS

The business prospects appear to be better now than they were 6 months ago, although at this point in time the avian flu epidemic is raging across our region. We believe that this epidemic will soon be overcome and that barring unforeseen circumstances the business of the Group will be better than that of the previous year's.

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 17, 2004