

## 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, 2004.

### RESULTS

The Group's turnover for the year ended October 31, 2004 was HK\$1,350 million (2003: HK\$971 million). It was HK\$379 million or 39% higher than that for the previous year.

The Group's profit after taxation and minority interests for the year ended October 31, 2004 was HK\$45.1 million, an increase of 249% compared with last year's profit of HK\$12.9 million. Earnings per share for the year were HK8.07 cents representing an increase of 245% compared with HK2.34 cents per share for the previous year.

In April 2004, Pico (Thailand) Public Company Limited ("Pico (Thailand)"), an associated company of the Group, was successfully listed on the Stock Exchange of Thailand. The Group is the largest shareholder with a shareholding of 30%. Pico (Thailand) generated a turnover of HK\$121 million for the year ended October 31, 2004 which is not consolidated into the Group's turnover.

The increase in turnover is attributed mainly to the strong recovery of the exhibition industry post 2003 SARS.

### FINAL DIVIDEND

The Directors of the Company recommend a final dividend of HK5.0 cents per share (2003: HK2.0 cents per share) which represents a yield of approximately 6.1% based on the closing price preceding the date of this report. The final dividend will be payable on Friday, April 8, 2005.

### BUSINESS REVIEW

The Group is a global event marketing company with a strong focus on exhibitions and events. It is also engaged in museum and permanent exhibits; sign advertising; conferences and show organisation, development and management of exhibition halls; and provision of temporary facilities at sports and games venues.

#### Exhibition and Event Marketing

This is the principal activity of the Group which accounts for 80% (2003: 82%) of the Group's turnover.

During the year, the Group completed several large projects such as:

1. The "Asia Pacific Leather Fair 2004" in Hong Kong
2. The "14th Liquefied Natural Gas" in Doha
3. The "Gulf Information Technology Exhibition" in Dubai
4. The "8th Auto China" in Beijing
5. The "25th Bangkok International Motor Show" in Bangkok
6. The "Food and Hotel China" in Shanghai
7. The "ITU Telecom Africa" in Cairo
8. The "International Furniture Fair" in Guangzhou
9. The "International Furniture Show" in Singapore
10. The "2nd Vietnam Motor Show" in Ho Chi Minh City



The "8th Auto China" in Beijing



The "International Furniture Fair" in Singapore

### BUSINESS REVIEW – continued

#### Museum and Permanent Exhibits

The division accounts for approximately 8% of the Group's total turnover (2003: 5%).

This division did not perform to our expectation due to untenable contractual problems encountered in the execution of our subcontracts for some main contractors of the Hong Kong Disneyland Theme Park ("HKDTP"). Consequently, this division recorded a loss of approximately HK\$21 million for the year ended October 31, 2004. The Group does not expect similar problem to recur in 2005 as these subcontracts have been substantially completed.

Some ongoing projects at the HKDTP which the Group contracts directly from some tenants and the owner of the HKDTP should mitigate some of the losses mentioned above.

#### Sign Advertising

The sign advertising division is based in Shanghai and Beijing, China. It produces shop signages for customers such as Caterpillar, Citigroup, DaimlerChrysler, Ford, Shell, TCL, Toyota, McDonald's and Shanghai General Motor.

This division continues to do well during the year under review. The Group will position this division to achieve a higher target of sales and profitability by relocating and thus increasing the production capacity in Shanghai.



**Buick**

#### Conferences and Show Organisation

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

During the year, Meeting Planners organised several exhibitions and conferences such as:

1. The "Asia Money Fair" in Singapore with 51 exhibitors and over 6,000 visitors.
2. The "Integrated Systems China 2004" in Shanghai with 102 exhibitors and over 10,000 visitors.

The Group is now engaged in the planning, organisation, and execution of the ITMA Asia 2005 which will be held in Singapore in October 2005. This show is expected to be bigger than the previous ITMA Asia event held in 2001 which occupied an area of approximately 60,000 square metres.



**Citibank**



**Integrated Systems China**



**Ho Chi Minh City International Exhibition and Convention Centre**



**Sri Lanka Exhibition and Conference Centre**



**Athens Olympic Stadium**



**Events for Doha Asian Games**

### **BUSINESS REVIEW – continued**

#### **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.

The Group will continue to develop and manage other halls in Asia where the opportunities exist for us to do so. In particular, the Group is in the final stages of negotiation to participate in the management of two new international halls in Asia which will be ready in late 2005 and late 2006 respectively. When they materialise, this will increase the area of exhibition space under our management to almost 75,000 square metres compared with the current 12,000 square metres that we are managing in Colombo and Ho Chi Minh City.

#### **Sports and Games**

2004 marked a new milestone in the Group's history. The Pico Group was awarded and successfully completed a multi-million dollar overlays contract to supply temporary facilities to the venues of the leading sports event of the world, the Athens 2004 Olympic Games. This project establishes our entry into the international sports and games venue services business.

At the Athens 2004 Olympic Games (“Games”), Pico and its 3 Greek consortium partners supplied and installed over 50,000 square metres of fully functional tents, prefabricated houses, offices, ticket booths, chemical toilets, staging, metal constructions, press benches, banner and flag poles, flag raising systems, furniture, signage, fencing, lighting, graphic carpet and floorings to all 14 venues including the Olympic Stadium, the main OAKA Sports Complex, the Sponsors Hospitality Centre Venue and the original Panathinaiko Stadium where the Olympics were first staged in 1894.

At the peak of this project in May 2004, the Group stationed more than 300 staff and workers in Athens.

Based on the success of our project at the Athens 2004 Olympic Games, the Group will bid for similar projects at the Winter Olympics 2005 (Torino), the Asian Games 2006 (Doha), the Commonwealth Games 2006 (Melbourne) and the Olympic Games 2008 (Beijing).

### FINANCIAL POSITION

At October 31, 2004, the total net tangible assets of the Group has increased by 10% to about HK\$467 million (2003: HK\$424 million). In terms of liquidity, the current ratio (current assets/current liabilities) was 1.27 times (2003: 1.24 times) and the liquidity ratio (current assets – excluding inventory and contract work in progress/current liability) was maintained at 1.20 times (2003: 1.19 times). The gearing ratio (long term borrowing/total assets) was substantially reduced from 3% in 2003 to 1.7% at the end of the year. The Group is dedicated to maintain a low gearing ratio to preserve our sound and healthy financial position.

At October 31, 2004, the total bank and cash balances and the pledged bank deposits of the Group has increased by about HK\$74 million to about HK\$253 million (2003: HK\$179 million) while the overall total borrowings were reduced by HK\$43 million to HK\$65 million (2003: HK\$108 million). Upon our continuing control on the capital expenditure and the growth of business during the year, 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 71% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining 29% 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, 2004, the Group employs a total of approximately 1,600 full time employees (2003: 1,300) 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\$244 million (2003: HK\$200 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.

### PLEDGE OF ASSETS

At October 31, 2004, the Group has pledged bank deposits of approximately HK\$19 million (2003: HK\$22 million), land and buildings, investment properties, accounts receivable, inventories and equipment with aggregate net book values of approximately HK\$229 million (2003: HK\$242 million), HK\$13 million (2003: HK\$13 million), HK\$11 million (2003: HK\$13 million), HK\$1 million (2003: HK\$1 million) and HK\$2 million (2003: HK\$2 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		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities granted to				
– subsidiaries and related companies	–	–	390,610	445,756
– associates	4,000	4,000	–	–
– investee company	4,000	18,025	–	–
	<b>8,000</b>	<b>22,025</b>	<b>390,610</b>	<b>445,756</b>

(ii) As at October 31, 2004, Pico Hong Kong Limited, a wholly owned subsidiary of the Group, has given a guarantee to a bank in respect of banking facilities granted to a project joint venture, which was set up for the Athens Olympic Project 2004, of Euro 3.6 million (equivalent to HK\$36 million) for a banking facilities of Euro 7.5 million or HK\$ 74 million.

(iii) As at October 31, 2004, Pico Art International Pte Limited being a subsidiary of the Group, together with a Group's subsidiary and an associate in Dubai have been named as first defendants in a civil proceeding in Dubai brought by a shareholder of the Group's subsidiary, Pico International (Middle East) L.L.C ("PIME") of Dirhams 30 million or HK\$64 million for alleged loss of profits by PIME. The Group has sought legal advice in Dubai against this proceeding, however it is too early to assess the likelihood of the claim and no provision for any potential liability has been made in these financial statements.

## CAPITAL COMMITMENTS

The Group did not have any significant capital commitments at October 31, 2004.

## PROSPECTS

The prospects for global event marketing business are good and the Group should continue to do well in the coming year.

## CONCLUSION

I would like to take this opportunity to welcome Mr. James Patrick Cunningham who joined us as our Independent Non-Executive Director on October 8, 2004.

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 contribution during the past year.

By Order of the Board  
**Lawrence Chia Song Huat**  
*Chairman*

Hong Kong, February 17, 2005