

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, 2005.

Results

All business segments of the Group have made good progress. The improved performance of the Group's portfolio of businesses reflects the underlying strength of our core business, our successful investment strategy, and our agility in adapting to operational and business changes in our industry.

Turnover in the year to October 31, 2005 was HK\$1,715 million (2004: HK\$1,350 million), an increase of 27%. Net profit after tax and minority interests increased by 168% to HK\$121 million (2004: HK\$45.1 million). Earnings per share increased by 164% to HK21.32 cents (2004: HK8.07 cents).

Earnings before interest, tax, depreciation and amortisation in the year to October 31, 2005 was HK\$184.1 million (2004: HK\$101.4 million), an increase of 82%. Cashflow of HK\$243.3 million was generated from operations and the Group ended the year with a net cash balance of HK\$331 million (2004: HK\$188 million).

Dividend

The directors now recommend the payment of a final dividend of HK7 cents (2004: HK5 cents) per ordinary share and a special dividend of HK10 cents (2004: nil) per ordinary share, equivalent to a final dividend of HK3.5 cents per ordinary share and a special dividend of HK5 cents per ordinary share after the proposed share subdivision of the Company, which is subject to, inter alia, approval by the shareholders in the extraordinary general meeting to be held on February 20, 2006. Together with the interim dividend of HK3 cents (2004: nil) per ordinary share, the total dividend for the year amounted to HK20 cents (2004: HK5 cents) per ordinary share before the proposed share subdivision. The final and special dividends will be payable on April 21, 2006. Shareholders may refer to the announcement of the Company dated January 19, 2006 for details of the proposed subdivision.

Our Business Focus

Pico Group is committed to generate sustainable growth in turnover and profit from its core business through wider market coverage. To widen market coverage, our strategy is to increase our presence in our core services through investment, both organic and acquisitive, and to expand revenue streams by adding new services and delivery channels.

To expand revenue streams, we have moved progressively upward into exhibition hall management as well as undertaking the management of exhibitions and events as a principal. Through this greater coverage of our industry we have developed a robust business model, which has given us a greater understanding and insight into the dynamics of the markets in which we operate.



Chongqing International Convention and Exhibition Centre

To generate further growth, we have deployed our core competencies into related fields including, but not limited to, the provision of temporary facilities for international sports events, construction of point-of-sale for branded luxury products and for high value consumables (e.g automobiles and electronics), and the supply of custom made permanent exhibits and structural artifact for theme parks and museums.

The significant growth that has been achieved this year underscores the significant progress we have made to supply a comprehensive range of core and related services. When the conditions are appropriate, we will expand these related businesses, through either organic investment or bolt-on acquisitions, so that each becomes a substantial operation with the business left in their respective area of specialization.

Review of Operations

1. Exhibition and Event Marketing Services

	2005 HK\$'000	2004 HK\$'000
Turnover	1,179,794	1,078,733
Operating Profit	107,316	66,215
Operating Margin	9.1%	6.1%

This is the core business of the Group. It is the largest segment accounting for 68.8% of the Group's turnover (2004: 79.9%) and contributing 70.8% of the Group's operating profit. The Group has a diversity of exhibition customers and no single exhibition customer accounts for more than 2% of the total Group's turnover.

The core business is cash generative and comprises substantial repeat revenues. Although the percentage of the core business in the Group's turnover is lower than that of the previous year, this is due mainly to the growth and return to profitability of other related businesses which the Group is also engaged in.

Exhibition and Event Marketing Services had a good year. Turnover increased by 9.4% and operating profit increased by 62.1%. The substantial increase in operating profit compared to the turnover is due to better management of direct costs and a higher operating advantage on fixed overheads.



CommunicAsia, Singapore

Better management of direct costs was achieved by lowering subcontracting-out and producing a higher percentage of jobs in-house. This has been reflected in the higher amount of inter-segment sales. In the Greater China region, inter-segment sales were 23.3% in 2005 (2004: 14.2%). More in-house production also enables us to achieve a higher operating advantage on fixed overheads.

Asia continues to be the powerhouse of the Group's exhibition business. More than 88% of the total exhibition and event marketing business was derived from Asian based exhibition activities.

This concentration in Asia will continue as China and India surge ahead in terms of economic growth. Intra-regional trade growth led by China and India has enabled more exhibitions and events being held not only in these two countries but also in the neighbouring cities such as Hong Kong, Singapore, Ho Chi Minh City, Kuala Lumpur, Bangkok, etc where exhibitions will increase to attract both Chinese and Indian buyers and exhibitors.

Furthermore, new exhibition halls, which were opened in China and other Asian cities during the last two years, have become more established. They now provide additional venues for bigger exhibitions. We expect their respective occupancy rates to increase in the near future. The new Asiaworld Expo, which provides an additional 70,000 square metres exhibition hall in Hong Kong, has opened in December 2005 and this new hall has doubled the permanent exhibition area in Hong Kong.

During the year, the Group was involved in providing services to exhibitors or organizers at more than 100 exhibitions held in China, 60 in Hong Kong, 50 in Taiwan, 60 in Singapore, 35 in Vietnam, 60 in Thailand, 50 in Malaysia, 6 in Korea, 60 in the Middle East, besides those in the US, Europe, India, and Japan. In total, we typically do work at more than 500 exhibitions annually besides special events.

Due to the numerous shows and customers that we serviced each year, it is not possible to mention the shows and customers extensively in this report. However, we provide below some of the exhibitions where the Group was involved either as an official service provider or as a supplier of services to major exhibitors to highlight the extent of our global reach and industry coverage.

1. International Builders Show, Orlando January 2005
2. 22nd Asean Furniture Show, Singapore January 2005
3. CeBIT, Hannover March 2005
4. 26th International Motor Show, Bangkok March 2005
5. Australian International Air Show, Melbourne March 2005



Auto Shanghai, Shanghai

6. Spring Trade Fair, Guangzhou April 2005
7. Auto Shanghai, April 2005
8. Asia Pacific Leather Fair, Hong Kong April 2005
9. China International Aquatic Sports and Boat Show, Qingdao May 2005
10. Real Estate Fair, Chongqing May 2005
11. CommunicAsia, Singapore June 2005
12. Asia's Fashion Jewellery and Accessories Fair, Hong Kong June 2005
13. Thai Festival, Rome June 2005
14. 25th Gulf Information Technology Exhibition, Dubai September 2005
15. SIBOS (Swift Inter-Bank Operating Systems), Copenhagen September 2005

Another highlight of the year was World Expo 2005. With experience of World Expos; Vancouver 1986, Brisbane 1988, Seville 1992 and Hannover 2000, Pico won four contracts to construct national pavilions for Singapore, Morocco, Qatar and Kampuchea respectively at World Expo 2005 that was held in Aichi, Japan, from March to September 2005. Each pavilion was designed, constructed and fitted with exhibits to reflect the culture of the country and included maintenance works throughout six months of the Exposition.

The Group has an extensive global reach and operates 29 offices in 18 countries. We occupy 12 full fledged production facilities with a combined area of over 50,000 square metres located in Atlanta, Dubai, Ho Chi Minh City, Singapore, Kuala Lumpur, Bangkok, Hong Kong, Dongguan, Shanghai and Beijing, which are capable of supporting all the major exhibition venues where our business takes place.

2. Hall Management and Related Services

	2005 HK\$'000	2004 HK\$'000
Turnover	40,299	32,070
Operating Profit	12,314	11,988
Operating Margin	30.6%	37.4%

Hall Management and related services accounted for 2.4% of the Group's turnover (2004: 2.4%) and 8.1% of the Group's operating profit. This segment had a good year and the operating margins in Vietnam and Sri Lanka respectively were higher in 2005 than in 2004. 30 exhibitions were held in our hall in Ho Chi Minh City (2004: 28) and 18 exhibitions were held in our hall in Colombo (2004: 15). In general, the size of each show increased in terms of area. Nevertheless, the overall profit margin was reduced by the start-up loss of the Chongqing International Convention and Exhibition Centre ("CQCEC") which has opened for business in October 2005.

Since the opening of the CQCEC in October 2005 to the date of this report, 11 exhibitions varying from 3,500 square metres to 45,000 square metres have been held in CQCEC. On average, the size of each show was about 15,000 square metres and the largest was the 54th China Pharmacy Fair, which was held in December 2005. Apart from exhibitions, there were 48 other banquets, conferences and meetings, which were all held in the new financial year.

In respect of the CQCEC, the Group signed a joint venture agreement with the CQCEC hall owner in May 2005 to manage the CQCEC until December 31, 2015. This joint venture involves a proportionate investment of RMB7 million on our part into the joint venture management company where the Group has an interest of 70%. Under the joint venture agreement, the joint venture management company is required to guarantee a minimum annual rental payment throughout the period of the joint venture and the details were disclosed in the connected transaction circular dated May 3, 2005, which was sent to all shareholders of the Group.

The Group has, after the year end, also invested an initial sum of RMB15 million, into a new joint venture company to build a single-storey exhibition hall of about 14,000 square metres in the city of Xian, the PRC. The Group will hold a direct interest of 30% in this property and has the right to manage the hall. Construction of the hall has commenced and upon completion in mid 2007, the total capital investment by the Group will increase to about RMB35 million including the initial RMB15 million investment.



Asia Pacific Cities Summit held in Chongqing International Convention and Exhibition Centre

In making our investment into hall ownership and/or hall management business in the PRC, we have taken the view that exhibition activities will continue to grow in China and that second-line cities such as Chongqing and Xian will benefit from this.

Apart from China, the Group has considered the Middle East market where there are opportunities for more exhibitions in the booming Gulf region. In particular, the Group has entered into a memorandum of understanding with Kuwait International Fair ("KIF") to supply exhibitions services and manage new shows in their halls.

3. Conference and Show Management

	2005 HK\$'000	2004 HK\$'000
Turnover	119,891	28,170
Operating Profit	17,497	3,447
Operating Margin	14.6%	12.2%

Conference and Show Management accounted for 7.0% of the Group's turnover (2004: 2.1%) and 11.5% of the Group's operating profit. This segment operates under the name of Meeting Planners International Limited. It did particularly well due to the 2nd Asian International Exhibition of Textile Machinery ("ITMA Asia 2005") show, held in Singapore from October 17 to 21, 2005, which we managed for CEMATEX (Comite Européen des Constructeurs de Machines Textiles). The show, occupied an area of approximately 70,000 square metres. The first show was also held in Singapore in October 2001. This show attracted more than 851 exhibitors from Europe and other parts of the world, and registered more than 30,000 visitors from 86 countries.

Although the ITMA will not be held again until 2009, the Group will continue to develop new shows or acquire new show titles to augment its portfolio of shows. In particular, the Group has acquired a 40% interest in the Singapore Furniture Fair, which is the largest annual

furniture show in South East Asia that attracts more than 20,000 visitors per show. The Group also plans to export the theme of this show to the neighbouring countries.



2nd Asian International Exhibition of Textile Machinery 2005

InfoCommAsia Pte Ltd, a 45% associate of Meeting Planners International Pte Limited, managed Integrated Systems China ("IS China") which was held in Shanghai in April 2005. The 3-day exhibition occupied 10,000 square metres, featured 126 exhibitors from Asia, America and Europe, and attracted more than 9,000 trade visitors. Products included display devices, audio-visual aids, interfacing equipment and home theatre equipment.

Integrated Systems Asia ("IS Asia") was held in October 2005 at the Suntec Singapore International Convention and Exhibition Centre. InfoCommAsia Pte Limited also managed this show. The show attracted over 80 international participants and more than 5,000 visitors from Asia. Products included digital signage, conferencing systems, and many audio-visual solutions.

4. Sign Advertising

	2005 HK\$'000	2004 HK\$'000
Turnover	92,977	79,932
Operating Profit	9,415	8,970
Operating Margin	10.1%	11.2%

Sign advertising accounted for 5.4% of the Group's turnover (2004: 5.9%) and 6.2% of the Group's operating profit. This segment continues to do well; turnover has grown by 16.3% and operating profit by 5.0% during the year.

The sign advertising business operates out of its new factory of 6,800 square metres in the Jiading district of Shanghai with eight full production and assembly lines.

Sign advertising production is different from exhibition services as the skills involved are different. In the production of signage, plastic moulding machinery is used to mould custom signage which are cured before installation onto the frontages of high volume retailers such as car dealer outlets, petrol stations, fast food outlets, supermarkets and other similar sale kiosks.

We started Shanghai Albert Smith 12 years ago as a joint venture company with Albert Smith Signs of Australia, which is one of the leading companies for this business in the Asia Pacific rim. We hold 80% of the joint venture company and the business operates under the Albert Smith brand name.

During the year, we have produced signage for companies such as Nissan, Shanghai General Motors, McDonald's, Ford, Lexus and Papa John's.

Of particular significance is the production of signage for the Caterpillar group where we supply Caterpillar group with signage produced



Lexus Signage

in Shanghai for their outlets in Japan, Russia and the Middle East. This export business has widened the market coverage of Shanghai Albert Smith beyond the China market.

5. Museums, Theme Parks, and Interior Business

	2005 HK\$'000	2004 HK\$'000
Turnover	275,994	110,927
Operating Profit	14,268	(21,561)
Operating Margin	5.2%	–

Museums, Theme Parks, and Interior Architecture accounted for 16.1% of the Group's turnover (2004: 8.2%) and 9.4% of the Group's operating profit.

The main contributions during the year included the Hong Kong Disneyland, and many museum and interior fit out projects.

In the Hong Kong Disneyland, the Group provided specialist work in the installation of show equipment and the theme painting of the park. At the height of our work, almost 400 painters and installers were at work on a single day.

Hong Kong Ocean Park also appointed Pico to design and build the jellyfish exhibit area of the Hong Kong Ocean Park. Work commenced in November 2005. It is scheduled to be completed in March 2006.

In Singapore, we completed the Hua Song Museum in Singapore for the Singapore Tourist Promotion Board. This museum depicts the history of the overseas Chinese diaspora. Pico's fit out work covered an area of about 14,000 square feet. We also completed the Singapore General Hospital Gallery. The project integrated medical memorabilia and artifact with modern display techniques to depict major periods in Singapore's healthcare history.

In Hong Kong, we completed the conceptual design of the Cathay Pacific Airways ("CPA") museum. CPA awarded the final contract to Pico to design, develop and fabricate the museum in December 2005. It is scheduled for completion in October 2006.

In September 2005, we also commenced a major subcontract work to provide show sets for the Ngong Ping Theme Village, Lantau, Hong Kong. The project is scheduled for completion in April 2006.

In China, we completed design consultancy work for the China Resources Museum, Beijing.

In the Middle East, we commenced exhibition specialist work at the Jordan National Museum in February 2005. The project is scheduled for completion in 2007.

In Malaysia, we completed works of about 13,000 square feet in the Sarawak Miri Museum that depicts the history of oil and gas in the state of Sarawak, Malaysia.

On the interior architecture side, we undertook many fit out projects such as Samsung showrooms and retail outlets in Dubai and Vietnam; DHC skincare stores in Hong Kong; LG factory showroom in Korea; Siemen's Taipei flagship store; Ethihad Airways sales office in Bahrain; MNG fashion retail shop in Shenzhen; and Lancaster cosmetic counters in Pune and Hyderabad.

Another large interior architecture project was the design and fit out of one quarter million square feet of conference and office floors at the head office of Malaysia International Shipping Corporation in Kuala Lumpur.

In particular, Pico was appointed a global partner to launch the new merchandising campaign of the Bacardi Group, which consisted of well-known brands such as Bacardi Rum, Martini & Rossi Vermouth, Dewar's

Scotch, Bombay Sapphire Gin, and Grey Goose Vodka. We worked closely with Bacardi marketing team and designers. After months of research and developments, this merchandise was launched in Europe in spring 2005 and later on throughout the airports worldwide.

6. Sports and Games Events

After completing the Athens Olympics 2004 successfully in July 2004, Pico Group was appointed as the official service provider for the annual meeting of 117th International Olympic Committee ("IOC") held in Singapore in July 2005. The key challenge for Pico was to ensure smooth transitions in the Session Hall: operating the stage and backdrop; maintaining uninterrupted power during presentations and announcements of candidate cities; maintaining ventilation; and ensuring office supplies. Pico also provided secretariat service to the IOC throughout the meeting. The whole world watched the event, which completed with great success.

The Group also formed a 50:50 joint venture company with an Italian partner and bid successfully for a Torino Winter Olympics 2006 project. The joint venture company won a major contract to supply temporary facilities to eight out of eleven venues of the Torino Winter Olympic Games, which started on February 10 and will end on February 26, 2006.



Torino Winter Olympics 2006

The Torino Winter Olympics project involved the supply of over 36,000 square metres of tentage besides multi-tiered seating galleries, gangway, cabins, and gantries, etc at the eight venues located in Sestriere, Pralegato and Sansicario of the Italian Alps.

The Group also bid successfully for one of the contracts at the Melbourne Commonwealth Games 2006 together with an Australia partner. The 50:50 joint venture company won a tentage contract worth about US\$3.0 million. The Commonwealth Games will be held in Melbourne from March 15 to 26, 2006.

The Group also continue to bid for contracts at other sports and games venues while executing those projects that have been awarded to us.

Financial Position

At October 31, 2005, the total net tangible assets of the Group has increased by 18% to about HK\$549 million (2004: HK\$467 million). In terms of liquidity, the current ratio (current assets/current liabilities) was 1.30 times (2004: 1.27 times) and the liquidity ratio (current assets - excluding inventory and contract work in progress/current liability) was maintained at 1.24 times (2004: 1.20 times). The gearing ratio (long term borrowing/total assets) was substantially reduced from 1.7% in 2004 to 0.7% 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, 2005, the total bank and cash balances and the pledged bank deposits of the Group has increased by about HK\$132 million to about HK\$385 million (2004: HK\$253 million) while the overall total borrowings were reduced by HK\$10 million to HK\$55 million (2004: HK\$65 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 76% of the Group's sales and purchases were denominated in Singapore dollars, Hong Kong dollars, Renminbi and US dollars, and the remaining 24% 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, 2005, the Group employs a total of approximately 1,800 full time employees (2004: 1,600) engaged in project management, design, production, sales and marketing and administration, which was supported by a large pool of subcontractors and suppliers. The staff costs incurred in the year was about HK\$296 million (2004: HK\$244 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, 2005, the Group has pledged bank deposits of approximately HK\$12 million (2004: HK\$19 million), land and buildings, investment properties, accounts receivable, inventories and equipment with aggregate net book values of approximately HK\$189 million (2004: HK\$229 million), HK\$14 million (2004: HK\$13 million), HK\$13 million (2004: HK\$11 million), HK\$1 million (2004: HK\$1 million) and HK\$1 million (2004: 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

	The Group		The Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks				
in respect of banking				
facilities granted to				
– subsidiaries	–	–	400,203	390,610
– associates	4,000	4,000	–	–
– investee company	4,000	4,000	–	–
	8,000	8,000	400,203	390,610

As at balance sheet date, Pico Art International Pte Limited, 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 the other shareholder of the Group's subsidiary, Pico International (Middle East) L.L.C. ("PIME"), which had filed for liquidation and not traded since mid-2002, for an amount of Dirhams 30 million (HK\$63 million) for alleged loss of profits by PIME. The Group has sought legal advice in Dubai against this proceeding and are currently disputing the claim and no provision for any potential liability has been made in the financial statements.

Capital Commitments

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect		
of investment in an associate		
– contracted for but not		
provided in the		
financial statements	14,423	–

The Company did not have any other significant capital commitments at October 31, 2005.

Contingent Assets and Post Balance Sheet Event

On March 25, 2004, a fire broke out at the warehouse of Pico Building, Tai Po Industrial Estate. The Group made an insurance claim for losses and damages to the building and contents. In October 2004, the Group received HK\$5 million from the insurer as a partial payment. Subsequent to the year end date, the Group finalized the compensation amount with the insurance company at approximately HK\$18,480,000. The remaining compensation balance of HK\$13,480,000 was received in November 2005.

Outlook

We observed in our 2004 annual report that the prospects for our business were good and commented that we should do well in the following year. This comment has been borne out by the set of record results in this current report.

During the last 30 years, we have developed a strong reputation in our core business, established a strong project management system, and set up a global network of subsidiaries backed up by a team of professional and dedicated staff. We have a strong platform for our business to grow and to take advantage of new opportunities in all our key markets.

By Order of the Board

Lawence Chia Song Huat

Chairman

Hong Kong, February 16, 2006