

**PICO FAR EAST HOLDINGS LTD :
THIS HAS TO BE A BUY SITUATION**

Very little is ever written about Pico Far East Holdings Ltd, (Code: 752 - \$HK0.70) probably because this is not a hi-tech company or an Internet-related company and because, at this stage in stock-market proceedings, *'bread-and-butter'* companies are not the flavour of the year.

But Pico could well be right up there, as one of the best performers of this year in terms of profitability.

This company is the only one of its kind in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), being in the business of designing and building exhibition halls, stalls and stands.

It is, just about, owned and operated by Singaporeans, led by the Chairman, Mr Lawrence Chia Song Huat, who happens to be the Vice-Chairman of The Singapore Chamber of Commerce (Hongkong).

While Malaysian and Singaporean businessman are, more often than not, not appreciated in the HKSAR, they have been very successful in the past, with the Singapore economy, right up there in the Number 5 slot, worldwide.

Pico announced that, for the 1999 Financial Year, ended October 31, 1999, it had turned in a Net Profit Attributable to Shareholders of \$HK48.08 million.

This figure compared with the 1998 like period when the Company turned in a Loss Attributable to Shareholders of \$HK5.64 million.

In truth, the 1999 Operating Profit from continuing operations was nearly 26 percent lower than the 1998 Operating Profit from continuing operations, at \$HK23.84 million.

The difference between the 2 Financial Years was that, in the 1999 Year, Pico booked an Exceptional Profit of \$HK36.28 million, compared with an Exceptional Loss in the 1998 Year of about \$HK25.76 million.

Note 6 to the Accounts, at Page 44 of the 1999 Annual Report, gives a breakdown of the Exceptional Items:

	Financial Year Ended October 31	
	1999 (\$HK'000)	1998 (\$HK'000)
Reserve released upon Warrants lapsed	56,105	Nil
Provision for Project Loan Receivable and Bad and Doubtful Debts	(9,593)	(4,491)
Net Deficit on Revaluation of Investment Properties	(5,617)	(11,311)
Loss on Disposal of Subsidiary	(4,618)	Nil
Loss arising from Trading of Short-Term Listed Investments *	Nil	(8,661)
Loss arising from Restructuring of Operations	Nil	(1,292)
TOTALS	36,277	(25,755)

* Included in the loss, arising from the trading of short-term listed investments in 1998, was a provision of approximately \$HK7,524,000.

Since the Books of this Company are made up to October 31, 1999, one may expect that there could, reasonably, be a write-back of some of that \$HK7.52-million Provision from trading in short-term investments.

But one may raise the question as to the reason that this Company got itself involved in the stock market in the first instance.

Having buckets of cash and with bank interest rates, being well below the levels of previous Years, could be among the reasons that Management determined to take a flyer on the stock market.

And it paid the price for its error.

With regard to the Company's cash position, as at October 31, 1999, it had cash and bank balances, amounting to about \$HK115.72 million. This compared with the October 31, 1998 position when the Company had about \$HK130.36 million in cash and bank balances.

Against this healthy cash position, the Company had bank loans, listed under Current Liabilities, of \$HK110.58 million, and bank overdrafts, amounting to about \$HK21.92 million.

The bank overdrafts were about 57 percent unsecured.

In respect of the bank loans, amounting to \$HK183.54 million, totally, about 45 percent of that figure is unsecured, with about 60 percent, due before the expiry of the Current Financial Year. The remainder, amounting to about \$HK73 million, is due over a period of one year to more than 5 years.

Again, one may question Management's decision not to structure debt over a longer period of time. It would be interesting to learn the answer to this question for it appears that, with a Turnover of about \$HK1.02 billion, bankers should be delighted to have such a strong customer.

On consolidation, the Total Debt of this Company is not more than \$HK77 million. This is against Gross Tangible Assets, amounting to about \$HK516.54 million.

More For The Boys

The Company has resumed paying dividends, giving up about 26 percent of its Net Profit Attributable to Shareholders by way of a 2.50-cent dividend per share.

This must indicate a great deal of confidence in the prospects for the Current Financial Year, ending October 31, 2000.

So confident is Management that ... [CLICK TO ORDER FULL ARTICLE](#)

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