



Based on a solid footing on the Yangtze region, we are now set to enlarge our critical mass.

保華已在長江流域建立了穩固的基礎，進一步將要做大做強。



# Managing Director's Report

## 董事總經理報告書

Our operations are performing well with strong growth trends.  
We are on track with our Yangtze Strategy.

年內集團業務發展強勁並且持續向好，定下的長江策略亦已逐步落實。

### Dear Shareholders,

It is my pleasure to report that the Group achieved strong financial results for the year ended 31 March 2007. Consolidated turnover increased by 35% to HK\$4,782 million and net profit surged by 24% to HK\$346 million when compared with last year, with earnings per share reaching HK23.6 cents. We also achieved a 12% return on your equity and a total shareholder return of 38% for the year. Please refer to the Financial Review at pages 26 to 29 for a full review on financial performance and position.

Having developed a clear strategy to focus on bulk cargo, infrastructure and logistics in the Yangtze River region, the Group has achieved significant progress as those businesses are taking shape. Our operations are performing well with strong growth trends, and we are on track with our Yangtze Strategy. I am pleased to provide you with more information on our strategic development and achievements to date.

### Sustaining the Yangtze momentum

In today's global economy, ports are fast becoming the modern day transport and logistics hubs. Nowhere is that truer than on the Yangtze River, the Mainland's largest and busiest inland waterway and a region that accounts for over 30% of the Mainland's GDP.

### 各位股東：

本人欣然向閣下呈報，集團於截至2007年3月31日止年度錄得強勁業績。本集團之綜合營業額較去年上升約35%達47.82億港元，而純利亦較去年增長24%至3.46億港元，每股盈利達23.6港仙。年內股本回報為12%，股東總回報則有38%。財務表現及狀況詳情，請參閱第26至29頁之「財務回顧」。

集團已定下專注在長江流域發展大宗散貨、基建與物流業之清晰策略，各項業務亦已漸具規模，取得明顯進展。年內集團業務發展強勁並且持續向好，定下的長江策略亦已逐步落實。本人謹藉此機會向大家分享更多集團之策略性發展及成就。

### 延續長江增長之勢頭

在當今全球經濟形勢下，港口正火速成為現代運輸及物流樞紐。長江作為內地最大型、最繁忙之內陸水道，該流域佔內地國民生產總值超過30%，更可見此言非虛。

PYI is focused on bulk cargo port infrastructure and logistics operations along this "Golden Waterway." An integrated port and logistics network is vital to the economic growth of the Yangtze region. Our aim is to build up a network of bulk cargo ports along the Yangtze, in order to rationalize operation costs, enhance overall service quality, and utilize port assets more effectively.

The ports sector is a key driver of economic growth and social benefits, and it is evident that China is enacting favourable policies to induce growth in this area. PYI will continue our growth strategy with more port investments in the Yangtze River Delta where over 70% of the Yangtze regional throughput volume derives, as well as in other opportunities in the upstream of the Yangtze. The Yangtze Economic Region is our springboard for sustainable growth.

## Review of operations

### Yangkou Port

Early in this year under review, confident of the development prospects we further increased our stake in the Yangkou Port project by 7.4% to 75%. The consideration was satisfied by the issue of 68.5 million new PYI shares at a fair price of HK\$2.913 each to the vendor.

Preceding PetroChina's commitment for the LNG facilities, we already commanded a jump start of construction on the man-made island (Sun Island) and the Yellow River Crossing, the capital expenditure for which has been estimated at about RMB1,650 million. For this year, capital expenditure of about RMB168 million was incurred. All capital works

一個在長江黃金水道形成規模效應的港口物流網絡，能夠極大的影響區域經濟發展，保華以黃金水道上大宗散貨基建與物流為業務重點，旨在沿長江流域建立大宗散貨港口網絡，從而節省營運成本、提升整體服務質素，並有效運用港口資源。

港口業乃帶動經濟發展及社會利益之火車頭，從中國頒佈優惠政策促進其業務增長可見一斑。在此有利的環境下，保華將繼續其增長策略，在長江三角洲（當地佔長江流域吞吐量超過70%）進行更多港口投資，並會沿長江上游發掘更多相關的投資機會。長江經濟圈是我們可持續發展的平台。

## 業務回顧

### 洋口港

看準洋口港的發展潛力，年度初期，集團以每股2.913港元之公平價值發行6,850萬股保華新股份為代價，將洋口港權益增加7.4%至75%。

在中石油就液化天然氣設備作出承諾前，集團早已在人工島（太陽島）及黃海大橋上展開建設，估計有關資本開支約達16.50億人民幣，另為數約1.68億人民幣之開支於本年度產生。所有主要工程已按預算並準

PYI adds its own touch of management expertise, corporate culture and international perspective to stay ahead of competition.

集團發揮卓爾不凡的管理理念和能力、良好的企業文化以及高遠的國際視野，在行業改進及市場變革的過程中保持優勢。



are progressing on time and within budget. We have signed a lease agreement for the Yellow Sea Crossing with the local government as well as an off-take agreement for the land on the Sun Island. That will give rise to a stable income stream, which led to the ultimate financial closure of the 7-year RMB960 million syndicated loan with eight major domestic banks in July 2007.

In December 2006, PYI increased its stake from 75% to 100% in Jiangsu Wanhua Real Estate Development Co., Ltd., a property subsidiary for the port project, at a consideration based on net asset value of US\$625,000. This move allowed PYI to further capitalize on the property development opportunities in Yangkou Port and to streamline our operational structure in that regard. Catering for market demand around Yangkou Port, a low density residential development of about 65,000 sq m of floor area is already underway with completion scheduled by mid 2008.

This year is particularly rewarding for our greenfield development at Yangkou Port. In December 2006, when PetroChina entrusted PYI to manage, build and transfer part of the Sun Island for a liquefied natural gas (LNG) facility at Yangkou Port, that finally underscored the technical viability of the development. When the syndication loan was secured to finance the construction of the infrastructural components, it marked another milestone attesting the commercial viability of Yangkou Port. The land on the Sun Island is scheduled to be transferred to PetroChina before the end of 2007, and the Yellow Sea Crossing is scheduled for completion by the end of 2008.

時進行。集團與地方政府簽訂黃海大橋租賃協議，另亦簽訂了太陽島土地的回購協議。此舉將為集團帶來穩定收入來源，因此亦促成集團於2007年7月與八家主要內地銀行訂立七年期的9.6億人民幣銀團貸款。

2006年11月，保華於江蘇萬華房地產開發有限公司（為港口項目設立之物業附屬公司）之權益由75%增至100%，代價乃按資產淨值625,000美元為基準計算。此舉令保華得以進一步掌握洋口港之物業發展機會，並精簡營運架構。因應洋口港周邊之市場需求，現正動工興建樓面面積約65,000平方米之低密度住宅項目，預期將於2008年中完成。

本年度，集團在洋口港這個由零開始發展之項目的進度令人鼓舞。於2006年12月，中石油委託保華為洋口港內的液化天然氣設施進行管理、建設和移交一部份太陽島的基礎工程，見證了此項目之技術可行性。就基礎設施取得銀團貸款，更標誌著洋口港之商業可行性得到認可。部份於太陽島之土地將於2007年底前轉交中石油，黃海大橋亦將於2008年底前完成。



Master planning for the 42 sq km land bank is underway with partial completion expected by the end of 2007.

### Nantong Port Group

Nantong Port is a category one port open to foreign trade and a major hub port situated in the Yangtze River Delta.

It has taken us nine months to conduct our capital injection in various stages. Our RMB435 million investment for 45% interest in Nantong Port Group was finally completed at the end of September, 2006. Throughout that period, PYI was fully involved in the daily operations of Nantong Port Group through our nominated general manager and financial controller as well as three board members. Nantong Port Group performed extremely well with profitability in 2006 increased by 300% over the previous year, and further growth of 50% is forecasted for the year of 2007.

In July 2006, Phase 3 of Langshan Terminal was commissioned for trial run targeting a certification of an annual throughput capacity of 13 million tonnes. With further equipment expansion, the capacity can reach 30 million tonnes. This terminal is currently the largest and most modern of its kind on the Yangtze dedicated for iron ore shipments. With this terminal coming into play, throughput of bulk cargo increased by 13% to 44 million tonnes and that of containers increased by 28% to 320,000 TEUs in 2006.

In this year under review, a net profit of RMB5 million up to 31 December 2006 has been recognised by PYI. Since the financial year end of PYI lags that of Nantong Port Group by three months, the full year's results

42平方公里土地儲備之總體規劃現正進行，部份預期將於2007年底前完成。

### 南通港口集團

南通港為對外開放之國家一級港口及全國樞紐港口。

經過九個月時間分階段的注資，我們終於在2006年9月完成增持南通港口集團45%權益，作價4.35億人民幣。期間保華透過集團提名之總經理、財務總監及三名董事局成員，全面參與南通港口集團之日常運作。南通港口集團於2006年表現突出，盈利較去年上升300%，預期2007年將再有50%的增幅。

2006年7月，狼山港碼頭第三期開始測試運作，以取得每年1,300萬噸吞吐能力之認證。經進一步擴大設施後，其吞吐能力可達3,000萬噸，成為長江上專門作鐵礦石運輸用途之同類碼頭中最大型、最現代化者。碼頭全面啟用後，於2006年，大宗散貨運輸吞吐量上升13%至4,400萬噸，而貨櫃吞吐量亦上升28%至32萬標箱。

回顧年度內，保華僅把南通港口集團截至2006年12月31日為止之500萬人民幣純利納入賬內。由於南通港

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springboard for sustainable  
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of Nantong Port Group ending on 31 December will be recognised by PYI in future years.

When the 8,206-metre Suzhou-Nantong Bridge over the Yangtze River is completed in 2008, there will be a direct link between Nantong and Suzhou leading to the newest convergence of the north side of the Delta with the south. The enhanced traffic network will be a further boost to the already thriving business environment in Nantong in the years to come.

### Hubei Minsheng LPG

The Group reached a milestone with its acquisition of Minsheng LPG terminal in Wuhan, which is situated at the mid-stream of the Yangtze. The infrastructure and logistics related assets in Wuhan include the largest LPG river terminal and storage tank farm in Central China, as well as a mature logistics network for the household, automotive and industrial sectors. This acquisition was completed in September 2006.

The acquisition consideration of RMB470 million payable by the Group was financed as to RMB300 million by a 7-year term loan, RMB120 million by the issue of 3-year zero coupon convertible bonds of PYI (at a conversion price of HK\$4.25/share) and the balance of RMB50 million by internal resources.

This newly acquired LPG distribution business contributed HK\$3 million to the Group's operating profit in this year under review. There was an additional HK\$4 million contribution to the Group's pre-tax profit due to a discount on acquisition of the LPG distribution business and assets.

Having occupied a market share of about 40% in Wuhan, Minsheng Gas provides the Group with not only a new operating skill base but also access to the oil and gas distribution sector in Central China.

### Paul Y. Engineering

Paul Y. Engineering Group Limited is an international engineering services group with 60 years of experience

口集團之年結日較保華早三個月，保華將於來年把南通港口集團截至12月31日止之全年業績納入賬內。

長達8,206米，橫跨長江之蘇州－蘇通大橋於2008年落成啟用後，將在南通及蘇州之間開通直接通道，將長三角以北進一步與南部整合。交通網絡的增強，將會令南通興旺的營商環境更上層樓。

### 湖北民生石油液化氣

收購位於長江中游的武漢民生石油氣碼頭，以及基建及物流相關資產，包括華中最大型液化石油氣河道碼頭及儲存庫，家庭用品、汽車及工業各界別之成熟物流網絡，乃本集團另一里程碑。該收購事項已於2006年9月完成。

集團應付收購代價為4.7億人民幣，其中3億人民幣以七年期貸款方式籌集，而1.2億人民幣則以發行三年期零票息保華可換股票據（換股價為每股4.25港元）之方式支付，其餘5,000萬人民幣以內部資金支付。

集團年內有300萬港元之經營溢利來自此新收購之液化石油氣分銷業務，400萬港元之除稅前溢利乃來自收購液化石油氣分銷業務及資產之負商譽。

憑藉在武漢約40%的市場佔有率，民生石油不單為本集團提供全新營運技術之基礎，並有助集團在華中之石油與天然氣分銷行業穩佔一席位。

### 保華建業

保華建業集團有限公司為國際性工程服務集團，在建造業有逾六十年經驗，具備一流專業人才之聲譽。集團正善用於項目及設施管理之經驗，擴大其以費用為

in the construction industry and a reputation for expertise and professionalism. The Group is expanding into fee-based income streams by leveraging its experience in project and facilities management-building business and shareholder value through integrated engineering solutions from inception, implementation to delivery for infrastructural and property development.

Paul Y. Engineering performed well last year with net profit of HK\$113 million, representing a growth of 12% on a revenue of HK\$4,359 million. A gain of HK\$72 million was derived from the revaluation of its 25% investment in Paul Y. Centre. Balance sheet was very strong with a net cash position of HK\$172 million. Operating cash flow was at a satisfactory level when compared with its EBITDA of HK\$124 million. A final dividend of HK5.5 cents/share was declared, which represents a pay-out ratio of 47% for the year. Order book stood at HK\$12,078 million, with value of remaining contract amounting to over HK\$6,872 million, as at the financial year end. Subsequent to that, an additional HK\$500 million value of new contracts were secured.

### Treasury investment

Our treasury investment business performed well and contributed some HK\$174 million towards operating profit this year. As at the year end, total value of the Group's portfolio of marketable security amounted to about HK\$156 million, equivalent to about 2% of the Group's total assets. Portfolio of high-yield loans receivable amounted to some HK\$469 million, equivalent to 6% of total assets of the Group. As the Group redeploys more financial resources to finance our investments in the Yangtze region, its investment portfolio and hence treasury operations will decrease in due course.

### Property development and investment

Property investment contributed HK\$14 million to our operating profit for this year. As mentioned above, a gain of HK\$72 million was achieved through the contribution of an associate of Paul Y. Engineering following a revaluation of its 25% investment in Paul Y. Centre. M. Bux Tower was sold in December 2006 at HK\$98 million. Subsequent to the financial year end, Paul Y. Engineering sold its entire investment in Paul Y. Centre. These disposals marked the completion of the Group's exit from the Hong Kong property market. All future property activities of the Group will be carried out in association with its ports facilities in the Yangtze region.

基準之收入流量—透過綜合全面的服務，從物業之立案，實施到交付，一應俱全，建立業務及股東價值。

保華建業於去年表現不俗，錄得營業額43.59億港元純利則上升12%至1.13億港元。重估保華企業中心之25%投資產生7,200萬港元盈利。該集團資產負債狀況穩健，淨現金達1.72億港元。與為數1.24億港元之未計利息折舊攤銷及稅前溢利比較，經營現金流處於滿意水平。已宣派發每股5.5港仙末期股息，年度派息率達47%。於財政年度完結時，所持有的合約價值達120.78億港元，而尚未完工合約總值68.72億港元。於年結日後，保華建業集團再獲得約值5億港元的新工程合約。

### 庫務投資

本年度內，約1.74億港元之經營溢利來自庫務投資業務。於年結日，本集團之投資證券總值約達1.56億港元，相當於本集團總資產2%；應收高息貸款組合約達4.69億港元，相當於本集團總資產約6%。由於本集團將較多資源重新調配至於長江流域之投資，投資組合以至庫務業務將在可行範圍內減少。

### 物業發展及投資

本年度內，約1,400萬港元之經營溢利來自物業投資業務。誠如上文所述，保華企業中心之25%投資獲重估後，為保華建業之聯營公司帶來7,200萬港元盈利。百德中心於2006年12月以9,800萬港元出售。財政年度終結後，保華建業出售於保華企業中心之所有投資。出售事項標誌著本集團完成撤出香港物業市場，集團未來僅會從事與長江流域港口設施有關的房地產活動。

### Divestment of China Strategic

During the year, the Group completed disposal of about 15.32% interest in China Strategic Holdings Limited at a cash consideration of HK\$26 million, with the remaining 62 million shares held in its investment portfolio.

### Special dividend

With the completion of the Group's divestment in China Strategic, we declared an in-specie special dividend equivalent to HK22.2 cents/share or a total of about HK\$326 million to our shareholders.

### Major subsequent events

#### Issuance of convertible notes

In April and June, 2007, pursuant to the acquisition of the Minsheng business and assets, PYI issued a total of HK\$121.52 million of convertible notes to the vendor in partial satisfaction of the consideration payable. These 3-year zero coupon notes are convertible into shares of PYI at HK\$4.25/share. Redemption amount will be 114.167% of par value at maturity.

#### Disposal of 25% interest in Paul Y. Centre

In March 2007, a 25% owned associate of Paul Y. Engineering entered into a conditional agreement for the disposal of Paul Y. Centre located at 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at a consideration of HK\$1,150 million. The disposal was completed in June 2007.

### 出售中策

於本年度，本集團完成以現金代價2,600萬港元出售中策15.32%權益，其餘6,200萬股中策合併股份則列入投資組合內。

### 特別股息

完成出售中策後，集團以分派實物價值形式，向股東宣派特別股息，相當於每股22.2港仙或合共約3.26億港元。

### 年結日後主要事項

#### 發行可換股票據

於2007年4月及6月，因收購民生之業務及資產，保華向賣方發行合共121,520,000港元可換股票據，支付部份代價。上述三年期零票息票據可按每股保華股份4.25港元換股，票據到期日應付之贖回價為面值之114.167%。

#### 出售保華企業中心25%權益

於2007年3月，保華建業擁有25%之聯營公司訂立有條件協議，以11.5億港元代價出售位於香港九龍觀塘鴻圖道51號保華企業中心。出售事項已於2007年6月完成。





### Syndicated loan for Yangkou Port

In July 2007, the Group, through its 75% owned subsidiary Jiangsu Yangkou Port Development and Investment Co., Ltd., entered into a 7-year project loan facility agreement for RMB960 million with a syndicate of eight domestic banks in Nanjing. This syndicated loan, bearing the current Renminbi long-term loan benchmark interest rate as announced by the People's Bank of China, will be used to fund construction of the 13 km Yellow Sea Crossing and the 1.4 sq km man-made island at Yangkou Port.

### Outlook

China's track record of strong economic growth looks set to remain steady for the coming financial year ending 31 March 2008. This organic growth, coupled with increasing levels of international trade, has spiked demand for essential raw materials, construction materials and energy resources.

PYI's business in bulk cargo and ports infrastructure is directly benefited from this booming demand as China increases its appetite for the resources necessary to support its continued growth.

Three years of our greenfield development efforts at Yangkou Port have paid off. PetroChina's proposed LNG facility at Yangkou Port confirms our faith in the site for the sustainable development of our port-related business. Spearheading our network, the success of the Yangkou Port project will increase our competitive edge in securing future prospects along the Yangtze region. Extracting value from land and property development will be our main focus in Yangkou Port.

### 洋口港之銀團貸款

於2007年7月，透過其擁有75%權益之洋口港投資開發有限公司與八間內地銀行簽訂一項9.6億人民幣，為期七年之項目貸款協議，以中國人民銀行公布的同期人民幣長期貸款基準利率，用作建設洋口港長達13公里的陸島通道—黃海大橋和面積1.4平方公里的人工島基礎設施。

### 展望

預期中國之強勁增長勢頭應可望下一個財政年度內繼續保持。此自然增長加上國際貿易日趨頻繁，導致基本原材料、建築材料與能源需求銳增，保華的大宗散貨港口基建業務亦將直接受惠。

三年來我們在開發洋口港所付出的努力已見成果，中石油落戶洋口港，設立液化天然氣設施，乃對我們堅持發展港口相關業務信念之認同。在集團網絡帶領下，洋口港項目之成功將提升集團長江流域發展之競爭優勢。體現土地及物業發展之價值，將會是集團未來於洋口港之重點。

An integrated port and logistics network is vital to economic growth of the Yangtze region.

一個在長江黃金水道形成規模效應的港口物流網絡，能夠極大的影響區域經濟發展。



In addition to the flagship development at Yangkou Port, PYI is leveraging its operations at Nantong Port and Minsheng Gas for maximum synergies, cross-business opportunities and economies of scale. To these elements, PYI adds our own touch of management expertise, corporate culture, and international perspective to stay ahead of competition. Based on a solid footing on the Yangtze region, we are now set to enlarge our critical mass.

The Group is fully committed to deploying its professional capabilities and operational resources to transform China's ports and logistics sector, and to achieve our vision of becoming the major bulk cargo port investor and operator in the Yangtze River region.

In closing, I would like to express my profound appreciation to our Chairman for his great leadership, to our board members for their valuable guidance, to our business partners and shareholders for their patience and generous support, and to our colleagues in Hong Kong and the Mainland for their loyalty, dedication and contributions to the success of PYI.

Yours faithfully,

**Tom Lau**  
*Managing Director*

Hong Kong, 20 July 2007

除發展洋口港之旗艦項目外，保華亦借助南通港口集團與民生石油之業務，充分發揮協同效應、互惠商機以及規模經濟之效。此外，透過發揮卓爾不凡的管理理念和能力、良好的企業文化以及高遠的國際視野，集團在行業改進及市場變革的過程中保持優勢。保華已在長江流域建立了穩固的基礎，我們將進一步做大做強。

本集團將全力調配其專業技能與營運資源，務求開拓中國港口與物流業的未來，並實現本集團成為長江流域主要大宗散貨港口投資及營運商的宏願。

最後，本人謹此衷心感謝主席之英明領導、董事局全人之寶貴指導、商業夥伴及股東之耐心及全力支持，以及香港及內地同事之忠誠、全力以赴及對保華成功之貢獻。

董事總經理  
劉高原  
謹啟

香港，2007年7月20日

