

MANAGING DIRECTOR'S REPORT
總裁報告書

PYI REMAINS COMMITTED
TO THE LONG TERM
POTENTIALS OF THE
YANGTZE STRATEGY

保華集團將繼續實踐具有長線潛力的
長江策略



PYI achieved satisfactory financial results for the year, with turnover of HK\$4,836 million and gross profit reaching HK\$360 million.

集團錄得令人滿意的業績，營業額達48.36億港元，毛利3.60億港元。

DEAR SHAREHOLDERS,

It is my pleasure to report that PYI achieved satisfactory financial results for the year ended 31 March 2009, with turnover of HK\$4,836 million and gross profit reaching HK\$360 million, a decrease of 16% from that of the preceding year. Net profit was HK\$139 million, with earnings per share reaching HK9.2 cents (HK3.9 cents adjusted due to completion of the rights issue). Shareholders' funds increased by HK\$270 million to HK\$3,647 million, representing a NAV per share of HK\$2.42 (HK\$0.88 adjusted due to completion of the rights issue).

YANGTZE – ENGINE TO PUSH AHEAD RECOVERY

In the year 2008, the global economy was adversely affected by the global financial tsunami which was triggered by the subprime mortgage crisis. The Mainland economy inevitably also went through mild consolidation as supply of credit tightened and export trade sharply declined. Its growth momentum, however, was successfully maintained as the Central Government launched a RMB4 trillion program to induce expansion in capital expenditure and domestic demands. While the global economy stabilized in the first quarter of 2009, China is widely anticipated to be the engine of global recovery.

Among the regions in the Mainland, the spearheading position of the Golden Waterway, especially the Yangtze Delta Region, is confirmed as part of the national policy. The State Council describes the area as *"the strongest comprehensive strength among regions in China, and it holds a strategic position and plays a driving force in the socialist modernization"*. In order to build up the Yangtze Delta Region as a *"key international portal in the Asia-Pacific region, an important base for advanced manufacturing in the globe, a world-level cluster of cities with strong international competitiveness"*, the State Council urges the consolidation of port facilities and the building of a modern logistics network.

Our Yangtze Strategy, a project which began six years ago with the aim to build up a network of bulk cargo ports in the Yangtze River Region, follows this national vision. With measured yet bold steps throughout these years, we have achieved several milestones in 2009 and laid the foundation for further developments in the future.

各位股東：

本人欣然向閣下呈報，保華集團於截至2009年3月31日止年度錄得令人滿意的業績。期內營業額48.36億港元，毛利淨額3.60億港元，較去年下跌16%。除稅後純利1.39億港元，每股盈利9.2港仙（因應供股而調整後為3.9港仙）；股東資金增加2.70億港元至36.47億港元，即每股資產淨值2.42港元（因應供股而調整後為0.88港元）。

黃金水道 推動復甦

去年，由美國次按危機觸發之金融風暴，令環球經濟面對嚴峻挑戰。內地經濟面對信貸收緊及出口貿易需求下降，無可避免出現溫和整合。中央政府推出總值人民幣4萬億元的經濟刺激方案以擴大資本開支及內需，成功維持經濟增長動力。隨著全球經濟自2009年第一季起漸趨穩定，中國更被視為令世界經濟恢復增長的推動器。

國家政策肯定了長江沿岸，特別是長三角地區，在國內經濟扮演龍頭角色。國務院指出長三角地區是「中國綜合實力最強的區域，在社會主義現代化建設全局中具有重要的戰略地位和帶動作用」。為了將長三角地區建設成為「亞太地區重要的國際門戶、全球重要的先進製造業基地、具有較強國際競爭力的世界級城市群」，國務院主張加快整合港口設施及建立現代化物流體系。

保華集團於六年前開展長江策略，以沿長江流域建設大宗散貨港口網絡為目標，追隨國家政策。集團多年來作出大膽而謹慎的部署，年內達到多個里程碑，為未來的發展奠下基石。

REVIEW OF OPERATIONS

Port and Infrastructure Development and Logistics

PYI continues to take measured steps in materializing our bulk cargo logistics network along the Yangtze River, delivering satisfactory progress and promising results.

Yangkou Port

Yangkou Port contributed about HK\$41 million (2008: HK\$97 million) to the Group's operating profit for the year under review. The income was derived from project management and access rights of infrastructure in Yangkou Port. The performance was affected by the drop in project management income owing to completion of certain project management services during the year.

Yangkou Port declared soft open in October 2008, with the navigation channel also declared open and a general cargo berth in operation. The construction of the 12.6 km Yellow Sea Crossing was completed and the construction of the Pipeline Bridge commenced in February 2009.

The 1.4 sq km man-made island, the Sun Island, was substantially completed in 2008. A 0.3 sq km land parcel was handed over to PetroChina for the construction of a LNG facility, which is expected to be completed in 2010.

業務回顧

港口及基建發展與物流

保華集團繼續謹慎地建立長江沿岸之大宗散貨物流網絡，並取得良好進展及成績。

洋口港

洋口港貢獻本集團回顧年度之經營溢利約4,100萬港元（2008：9,700萬港元）。收入來自項目管理及洋口港基建設施之使用權。因為若干項目管理服務已於本年度內完成，業績表現受到項目管理收入減少所影響。

洋口港於2008年10月宣佈初步通航，同時海運航道宣佈開通，一個通用碼頭亦已開放運作。全長12.6公里之黃海大橋亦已竣工，管線橋之建設於2009年2月展開。

面積1.4平方公里之人工島「太陽島」在2008年大致建成。面積0.3平方公里之土地已移交中石油以建設液化天然氣設施，預期將於2010年建成。



In addition to the 4.16 sq km formed land completed in the preceding year, about 4.45 sq km of our 42 sq km land bank had reached the formed and serviced stage and obtained the certificate of completion of land reclamation during the year. As at 31 March 2009, about 2.95 sq km of the 4.45 sq km newly formed land has been reclassified as investment properties and measured at fair value of about HK\$705 million. The remaining 1.5 sq km newly formed land is classified as stock of properties held for trading and carried at historical cost.

Embankment works for the final 20 sq km industrial land bank has commenced, with 10 sq km scheduled for completion in 2010. Highways, railway, canal and other connecting infrastructure and utility associated with Yangkou Port are being developed by other parties. In June 2009, the State Council has approved in principle the Jiangsu Coastal Region Development Plan, which contains Yangkou Port as one of the major focal development points.

Nantong Port

Nantong Port contributed about HK\$38 million (2008: HK\$34 million) to the Group's net profit for the year. Its net profit amounted at about HK\$85 million (2008: HK\$76 million) for the year ended 31 December 2008.

繼去年完工之4.16平方公里之已平整土地，於42平方公里土地儲備中，年內再有約4.45平方公里之土地達至已平整及有設施階段，並取得完成填海土地之證書。截至2009年3月31日，此幅約4.45平方公里之已平整土地中有約2.95平方公里已獲重新分類為投資物業，並按公平價值重估約值7.05億港元。餘下1.5平方公里之已平整土地被分類為持有作買賣之物業存貨，並按歷史成本列賬。

佔地20平方公里之工業用土地儲備的圍墾工程已經開始，其中10平方公里土地預計將於2010年完成。與洋口港相關之高速公路、鐵路、水道及其他接駁基建及公用設施均正由其他單位開發。2009年6月，國務院原則上批准江蘇沿海地區發展規劃，當中洋口港為主要重點發展地區之一。

南通港

南通港佔本集團年度之溢利淨額貢獻約3,800萬港元（2008：3,400萬港元）。於截至2008年12月31日止年度，南通港錄得溢利淨額約8,500萬港元（2008：7,600萬港元）。



Despite the challenging operational environment since the global financial crisis, annual cargo throughput of Nantong Port Group still reached 54 million tonnes in 2008, a decrease of 7% from previous year. Container throughput recorded new high at 400,000 TEUs, representing 8% year-on-year growth.

In November 2008, taking account of the adverse market situations and to conserve financial resources, PYI decided to forego the opportunity to acquire up to 12.32% equity interest in Nantong Port Group.

Investment Opportunities in Other Ports on the Yangtze

In September 2008, PYI entered into an agreement to invest in Yichang Port Group Limited ("Yichang Port Group") by the injection of new capital into Yichang Port Group, which represented a 51% equity interest in the registered capital of Yichang Port Group as enlarged by the investment. The total consideration amounted to RMB114 million (equivalent to about HK\$130 million) and 60% of it was paid in April 2009. The transaction is expected to be completed by October 2009.

Subsequent to the year end, PYI acquired 25% interest in Jiangyin Sunan International Container Terminal Co., Ltd. from Shanghai International Port Group at a consideration of RMB27.65 million (equivalent to about HK\$31.4 million) in June 2009.

These earning accretive investments will make our network along the Yangtze River more complete and synergized, and are expected to generate profit in the foreseeable future.

Engineering Business – Paul Y. Engineering

The Paul Y. Engineering Group achieved turnover of HK\$4,427 million during the year, down 10% compared with last year (2008: HK\$4,913 million). It contributed about HK\$80 million (2008: HK\$129 million) to the Group's operating profit during the year. The decline in gross profit was due to slight decline in revenue and tightening margin arising from volatile material and labor cost.

縱使經營環境自全球金融危機以來一直充滿挑戰，惟南通港於2008年之全年散貨吞吐量仍達5,400萬噸，較去年減少7%。集裝箱吞吐量錄得新高，達400,000標準箱，按年增長8%。

於2008年11月，鑒於當時之市場形勢惡劣，為保留財務資源，保華集團決定放棄收購南通港口集團之最多12.32%股本權益之機會。

長江流域內其他港口之投資機會

於2008年9月，保華集團簽訂協議，以向宜昌港務集團有限責任公司（「宜昌港務集團」）注入新資金之方式投資宜昌港務集團，注入之資金佔宜昌港務集團經投資擴大後註冊資本中之51%股本權益。交易之總代價為人民幣1.14億元（相當於約1.30億港元），其中60%已於2009年4月支付。預計該交易於2009年10月完成。

於年結後，保華集團於2009年6月以人民幣2,765萬元（相當於約3,140萬港元）向上港集團收購江陰蘇南國際集裝箱碼頭有限公司25%股權。

此等積極投資將使集團於長江沿岸之網絡更為完整並產生協同，預期於可見將來會帶來盈利。

工程業務 — 保華建業

於本年度內，保華建業集團之營業額達44.27億港元，較去年下跌10%（2008：49.13億港元）。該業務佔本集團年內之經營溢利約8,000萬港元（2008：1.29億港元）。毛利減少乃因為原材料及勞工成本波動，導致收入微跌及利潤減少所致。

Yangkou Port declared soft open in October 2008, with the navigation channel also declared open and a general cargo berth in operation.

洋口港於2008年10月初步通航。通用碼頭開始運作，同時海運航道宣佈開通。

During the year, Paul Y. Engineering Group secured new contracts totalling HK\$4,149 million in aggregate value, a 165% growth year on year. Subsequent to the year end, the engineering business secured additional contracts of HK\$2,662 million.

As at 31 March 2009, the total value of contracts on hand of Paul Y. Engineering Group is about HK\$10,625 million (2008: HK\$9,507 million), a 12% growth year-on-year.

LPG Distribution

The LPG distribution business of Minsheng Gas contributed about HK\$26 million to the Group's operating profit (2008: loss of HK\$8 million) for the year under review. The performance of Minsheng Gas improved substantially during the year, with distribution volume and throughput at the river terminal and the storage tank facilities showing growth again since the third quarter of 2008. The LPG distribution returned to healthy operating margin after several price uplifts approved by the Central Government since June 2008.

Property Investment and Trading

Property investment and property trading in aggregate contributed about HK\$662 million (2008: HK\$669 million) to operating profit for the year. The profit is mainly attributed to the gain on fair value of investment properties of HK\$669 million (2008: HK\$638 million) arising from the 7.11 sq km (2008: 4.16 sq km) formed land in Yangkou Port, and a relevant deferred tax charge of HK\$311 million (2008: HK\$267 million) was charged to the income statement.

Out of the 8.61 sq km land bank having reached the formed and serviced stage as at 31 March 2009, about 1.5 sq km has been classified as stock of properties held for trading and carried at historical cost.

Wanhua Zijin Garden, a residential property development near Yangkou Port with a gross floor area of 65,000 sq m, is partially completed and contributed turnover amounted to HK\$21 million (2008: Nil) during the year.

於本年度內，保華建業集團獲得新工程合約總值41.49億港元，按年增長165%。於結算日後，工程業務獲得額外合約價值26.62億港元。

於2009年3月31日，保華建業集團手頭持有工程合約總值約106.25億港元（2008：95.07億港元），按年增長12%。

液化石油氣分銷

回顧年度內，民生石油的液化石油氣分銷業務錄得經營收益約2,600萬港元（2008：虧損800萬港元）。由於分銷量及碼頭和儲備設施吞吐量自2008年第三季起回升，其業績表現於本年度內明顯改善。中央政府自2008年6月以來多次批准提高價格，令液化石油氣分銷業務之盈利得以恢復。

物業投資及買賣

於本年度內，物業投資及物業買賣合共帶來約6.62億港元（2008：6.69億港元）之經營溢利。溢利乃主要來自洋口港7.11平方公里（2008：4.16平方公里）之已平整土地投資物業之公平價值收益6.69億港元（2008：6.38億港元），而相關之遞延稅項開支3.11億港元（2008：2.67億港元）已於收益表內支賬。

於2009年3月31日，土地儲備中有8.61平方公里已達至已平整及有設施階段，其中約1.5平方公里被分類為持作買賣之物業存貨，並按歷史成本列賬。

鄰近洋口港之住宅物業「萬華紫金花苑」，總建築面積為65,000平方米，部分已完成並於本年度帶來2,100萬港元（2008：無）之營業額。

Nantong International Trade Center is a commercial and office development in the heart of Nantong City with a gross floor area of some 80,000 sq m. This complex was topped out in November 2008. Presale activities are underway and completion is scheduled in early 2010.

In Hangzhou, PYI holds an investment property, the Pioneer Technology Building, which is an office building with gross floor area of some 20,000 sq m. The building contributes rental income of HK\$4 million (2008: HK\$0.5 million) and occupancy is expected to be in excess of 80% by the end of 2009.

Treasury Investment

The treasury investment business contributed about HK\$33 million (2008: HK\$42 million) towards operating profit for the year. Portfolio of high-yield loans receivable amounted to about HK\$353 million (2008: HK\$340 million), equivalent to about 3% (2008: 3%) of the total assets of the Group.

MAJOR SUBSEQUENT EVENTS

On 2 September 2008, the Group entered into an agreement to invest about HK\$170 million (subsequently changed to about HK\$130 million) for 51% equity interest in Yichang Port Group. On 17 April 2009, the Group paid a sum of about HK\$78 million with the remaining sum of about HK\$52 million to be payable in or before October 2009.

商業及辦公室綜合大樓項目「南通國際貿易中心」位於南通市心臟地帶，總建築面積約80,000平方米，已於2008年11月封頂。預售活動現正進行中，預期整個項目將於2010年初竣工。

保華集團在杭州持有一項投資物業「先鋒科技大廈」，該物業乃一幢辦公室大樓，總建築面積約20,000平方米。該物業貢獻租金收入400萬港元（2008：50萬港元），其出租率預期於2009年底將超過80%。

庫務投資

於本年度內，約3,300萬港元（2008：4,200萬港元）之經營溢利來自庫務投資業務。應收高息貸款組合約達3.53億港元（2008：3.4億港元），相當於本集團總資產約3%（2008：3%）。

重大結算日後事項

於2008年9月2日，本集團訂立協議，將約1.70億港元（其後改為約1.30億港元）投資於宜昌港務集團51%之股權。本集團已於2009年4月17日支付約7,800萬港元，其餘約5,200萬港元將於2009年10月或之前支付。



In June 2009, the Group acquired 25% interest in Jiangyin Sunan International Container Terminal at a consideration of RMB27.65 million (equivalent to about HK\$31.4 million).

On 30 April 2009, the Company proposed to raise about HK\$362 million to about HK\$431 million before expenses by way of the rights issue of not less than 3,016,787,034 rights shares and not more than 3,588,897,924 rights shares on the basis of two rights shares for every share of PYI then held (the "Rights Issue") at the subscription price of HK\$0.12 per rights share payable in full on acceptance. The Rights Issue was approved by PYI shareholders in a special general meeting held on 9 June 2009 and 3,019,350,218 rights shares were being allotted. The net proceeds of about HK\$350 million are intended to be used on PYI's investment in port and port-related projects and as general working capital of PYI. Details of the Rights Issue are set out in the circular and prospectus of the Company dated 22 May 2009 and 12 June 2009 respectively.

Apart from the above, there are no other major subsequent events since the balance sheet date and up to the date of this report.

於2009年6月，本集團以代價人民幣2,765萬元（相當於約3,140萬港元）收購江陰蘇南國際集裝箱碼頭25%股權。

在2009年4月30日，本公司建議藉供股集資約3.62億港元至約4.31億港元（未扣除開支），方式為以當時每持有一股股份可認購兩股供股股份之基準，按認購價每股供股股份0.12港元進行供股，發行不少於3,016,787,034股供股股份及不多於3,588,897,924股供股股份（「供股」），股款須於接納時繳足。供股已於2009年6月9日舉行之股東特別大會上獲保華集團股東批准，3,019,350,218股供股股份已予配發。所得款項淨額約為3.50億港元，擬用作保華集團於港口及港口相關項目之投資及保華集團之一般營運資金。供股詳情載於本公司日期分別為2009年5月22日及2009年6月12日之通函及章程。

除上述者外，截至本報告書日期，於結算日後並無其他重大事項。



OUTLOOK

China is maintaining moderate economic growth through the implementation of effective domestic stimulus programs on capital expenditure and internal demands. Long term sustainability would have to depend on healthy international trades and foreign investment and, more importantly, on the recovery of the global economy. It is evident that the global financial market will take quite some time to recover.

The general trading conditions along the Yangtze is improving with moderate growth in the first half of 2009. Our Yangtze Strategy will continue moving forward within the framework of the Jiangsu Coastal Region Development Plan, Yangtze Delta Development Plan and the Central and Western Regional Development Strategies. With the strengthened financial capacity, PYI is ready to deliver the strategic options on our Yangtze Strategy with a view to enhance the PYI shareholders' return.

展望

通過有效的針對投資和內需的國內經濟刺激計劃，中國保持了適度的經濟增長。要長期保持增長，仍有賴健康的對外貿易及外商投資，以及更重要的全球性經濟復甦。顯然，全球金融市場仍需要時間恢復。

長江流域的總體貿易狀況因全國於2009年上半年的適度經濟增長得到改善。於江蘇沿海地區發展規劃、長三角發展規劃和中部崛起戰略及西部開發計劃的框架內，我們的長江策略將繼續往前推進。隨著財務能力增強，為了增加股東回報，保華集團已準備根據長江策略實施戰略性的動作。



The State Council describes the Yangtze Delta region as “the strongest comprehensive strength among regions in China, and it holds a strategic position and plays a driving force in the socialist modernization”.

國務院指出長三角地區是「中國綜合實力最強的區域，在社會主義現代化建設全局中具有重要的戰略地位和帶動作用」。

I would like to take this opportunity to express my appreciation to our Chairman for his vision and leadership, to our board members for their valuable guidance and monitoring, and our staff team across Hong Kong and the Mainland for their steadfast work and contribution over the year. We also appreciate our business partners and shareholders for their trust in our strategic vision.

Yours faithfully,

Tom Lau
Managing Director

Hong Kong, 17 July 2009

本人謹此衷心感謝集團主席的遠見與英明領導，董事局全人的寶貴指導與監察，以及香港及內地團隊之忠誠與貢獻。集團全人對於商業夥伴及股東對集團策略的信賴，亦深表謝意。

總裁
劉高原
謹啟

香港，2009年7月17日

