Operational Review from Deputy Chairman

PPC improved on its operating performance levels during the course of fiscal year ended 30 June 2002. This achievement was remarkable given a global trade climate marred by recession and the 9/11 Incident. The majority of PRC operations performed well on the back of strong export and economic growth numbers. Meanwhile, Hong Kong operations managed to substantially improve profitability despite a market faced with a decline in trade volumes.

Attributable Operating Profit ("AOP") reached HK$360.8 million, compared to HK$319.3 million in the previous year. The profit attributable to shareholders reached HK$143.9 million, compared to HK$276.1 million for FY2001. The decrease in profit attributable to shareholders was due to one-time HK$193.6 million items for disposals of investments and for impairment losses on assets. Without these items, PPC would have achieved another record year in profit generated by the business.

The most notable growth in terms of overall percentage increase in AOP came from the cargo-handling operations at Tianjin. In a surprising result, Hong Kong operations noted a substantial increase in AOP due to the implementation of stringent cost-cutting measures. In addition, an important merger was concluded at Xiamen port to allow PPC to enhance AOP prospects in the future.

Hong Kong Review

Hong Kong registered an AOP of HK$338.5 million, accounting for 94% of total AOP. This was a significant rise over HK$305.5 million in FY2001. The 11% increase in AOP for Hong Kong operation was largely generated by cost-cutting measures implemented by management to improve profitability.

CSX World Terminals Hong Kong Limited ("CSXWTHK"), operator of Container Terminal No. 3, handled 1.37 million TEUs in FY2002, down from 1.74 million TEUs in FY2001. This drop in the volume of containers handled was the result of an overall throughput decrease at Hong Kong port.

ATL Logistics Centre Hong Kong Limited ("ATL") registered an average occupancy rate of 93.6% in FY2002, which remains stable as compared to previous year's 92.7%. In addition, Asia Container Terminals Limited ("ACT"), a developer of Container Terminal No. 9 ("CT9"), is expected to complete its facilities.

Mainland Review

CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT") reported stellar performance with AOP rising to HK$21.2 million, compared to HK$15.2 million in FY2001. CSXOT registered a 15% rise in throughput volume to 884,000 TEUs. This result was due to the addition of new customers and more business from existing clients.

Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu"), operator of Berth No. 12 in Xiamen port, recorded its best year ever. Throughput increased to 320,000 TEUs in FY2002, up 52% from 210,000 TEUs in FY2001 and well above the 125,000 TEUs mark set in FY2000. Revenues jumped to RMB95 million this fiscal year, up 28% over RMB74 million in FY2001. The figures were boosted by the launch of new shipping services.

Developments at other Xiamen operations were mixed. Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian"), operator of Berths No. 13 and 14, completed construction work on Berth No. 14, transforming a multi-purpose berth into a container berth.

Merger

On 28 June 2002, a merger agreement was entered into between Xiangyu (Berth No. 12), Huijian (Berths No. 13-14) and Xiamen Xiangyu Free Port Developing Co., Ltd. ("Xiangyu Free Port", Berths No. 15-16), a wholly owned subsidiary of a PPC joint venture partner in the PRC. Xiangyu will be merged with Huijian and Xiangyu Free Port by way of absorption and be converted from a Sino-foreign CJV into a Sino-foreign EJV. This merger agreement is effective upon obtaining approvals from the relevant authorities.

As Berths No. 12-16 are owned and operated by the same entity the efficiency of these berths will be enhanced considerably and profitability improved. Other benefits include: access to larger vessels; cost savings from shared overheads, construction costs and expenses; and minimising competition amongst terminal companies. This will make the venture competitive with other terminal operators.

Merger Pros and Cons

The benefits of the merger far outweigh any disadvantages. The move will unify the PPC brand name and expand economies of scale. The merger will assist in the reduction of costs and improve efficiency through the centralisation of functions and elimination of duplication. The initiative will streamline and rationalise the workforce and motivate employees to achieve higher standards of performance. The Chinese partner will focus its efforts to expand business in Xiamen Free Trade Zone by providing PPC with a platform to enhance and upgrade various aspects of its business and operations.

The disadvantages that arise from the merger are minimal. Given that the entity is not majority owned by PPC the profits generated are not consolidated into Group accounts. Prior to the merger, the financial results of Xiangyu and Huijian were consolidated into PPC. After the merger, financial results will be equity accounted for. Although PPC will not have control over the joint venture, the Company will have four board nominees while the General Manager, Chief Financial Officer and Chief Operating Officer are nominated by PPC.

Credit Management

PPC is virtually debt free, with the only debt registered at the project level. PPC has maintained a low gearing throughout its corporate history and FY2002 proved to be no exception.

Cash Position

PPC has a strong cash balance after two years of profitability. This cash positive situation puts the Company in a solid position to make new investments if a suitable opportunity arises.

2003 Outlook

The outlook for PPC has never been brighter. The scale of operations will be considerably enhanced in the year ahead, and the proposed reorganisation will have a positive impact on AOP.

In terms of the cargo-handling business, the latest figures show a strong surge in trade. Against all odds, the Mainland recorded solid export numbers at the midway point in 2002 and that will have a positive impact on AOP for FY2003. The ongoing growth of the Mainland cargo-handling business is promising and the success of PPC lies in developing its PRC operation. The impressive growth rate experienced at the ports of Tianjin and Xiamen is expected to continue throughout FY2003 due to factors ranging from WTO-related trade flows, an improved economy, better PRC-Taiwan relations and the Xiangyu merger.

Meanwhile, Hong Kong also witnessed a turnaround on the back of regional trade growth, with activity picking up noticeably throughout the port’s facilities. The increase in export-import activity will positively impact the AOP of all cargo-handling operations in the Hong Kong region. This is a most important development for the cargo-handling business, as Hong Kong remains a major AOP contributor.

Proposed New Acquisitions

With the proposed acquisitions of New World Services Limited (“NWS”) and the New World Infrastructure Limited (“NWI”) basic infrastructure assets, the Company is poised to enter into an exciting era of growth and profitability. Above all, synergies presented by an integrated infrastructure and services business that serves Greater China allow all businesses within the Group to expand at a quicker rate.

PPC will benefit from the acquisition of NWI basic infrastructure assets, including some 60 projects covering roads and bridges, energy and water treatment. In recent years, this infrastructure portfolio was restructured to focus on projects that outperform the market. The infrastructure segment is a mature business that will continue to generate a steady stream of cash. AOP will improve in this segment due to a variety of macro-economic and sector-related factors.

Under the proposed acquisition scheme, NWS will become the largest contributor to revenues and AOP over the coming year. The services segment is now composed of five core businesses – facilities, contracting, transport, financial and environmental. The services segment will focus on strengthening human resources, process monitoring and expanding operations in the PRC. AOP is expected to remain stable from this segment during FY2003.

2003 Summary

Over the course of the coming year, PPC will press ahead with its port business and work to realise its Greater China reorganisation plan. Given a turnaround in the trade picture, China's evolution under the WTO banner and the promise of economic growth, PPC expects to deliver a solid result across all segments. As we move through this transition period we want to thank our management team, the employees and our loyal shareholders for their support.