



Mr. Budiono Widodo
Chairman

To Our Shareholders

2002 was still a year of consolidation for PPHL. The plywood market saw a sign of rehabilitation where the plywood prices have been on a slow upward trend during the year under review. However, this has been leveled out by the increase of the log prices in the second and third quarters of the year. Nevertheless, with the increase in production volumes and the enriched product mix, the Group's gross profit margin was therefore much relieved. For the year ended 31st December, 2002, the Group's turnover increased 3.1% to US\$121.4 million compared to US\$117.7 million in 2001. Thanks to the Group's stringent cost controls, operating costs have also been significantly reduced. As a result, the loss attributable to shareholders narrow down to US\$4.6 million from US\$61.0 million last year. The substantial loss of last year was due to the adoption of new accounting policies under the HKSA where the Group has

provided impairment loss of US\$55.6 million on certain of its assets, however, if this factor is disregarded, the Group's loss from ordinary activities was US\$11.0 million.

Our diversified product mix provides the best portfolio, enabling us to stay ahead in the market despite the poor economy. In this mix, flooring, moulding and building products which made a significant contribution to the Group's turnover during the year, have been well received in the market, especially the color flooring products, which is poised to capture a significant market share. In the meantime, our research and development team are working on another plywood, a multi-layered plywood-based, flooring product which we expect to become a further source of revenue for the Group after its launch.

We continue to target the minimization of wood waste in all our factories. Two of our plants has achieved ISO-14000 certification. Others are in the process of implementation, a situation that positively reinforces our commitment to and implementation of environmentally friendly systems and international environmental standards.

Looking ahead, we believe that the plywood market barring any global economic slow-down or turbulence going forward is bottoming out. We are committing more effort to developing new products to enrich our product mix and to meet customer demands. The booming of the PRC market with China's entry into WTO and the hosting of the 2008 Olympics, have also provided significant opportunities for the Group's further expansion. We will also be keeping our opportunistic eye on other Asian countries, to develop further business opportunities for our future development.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff for their continuous dedication and invaluable effort. We must also thank our shareholders, investors and customers for their continuing support and confidence.

Budiono Widodo

Chairman

Hong Kong, 11th April, 2003