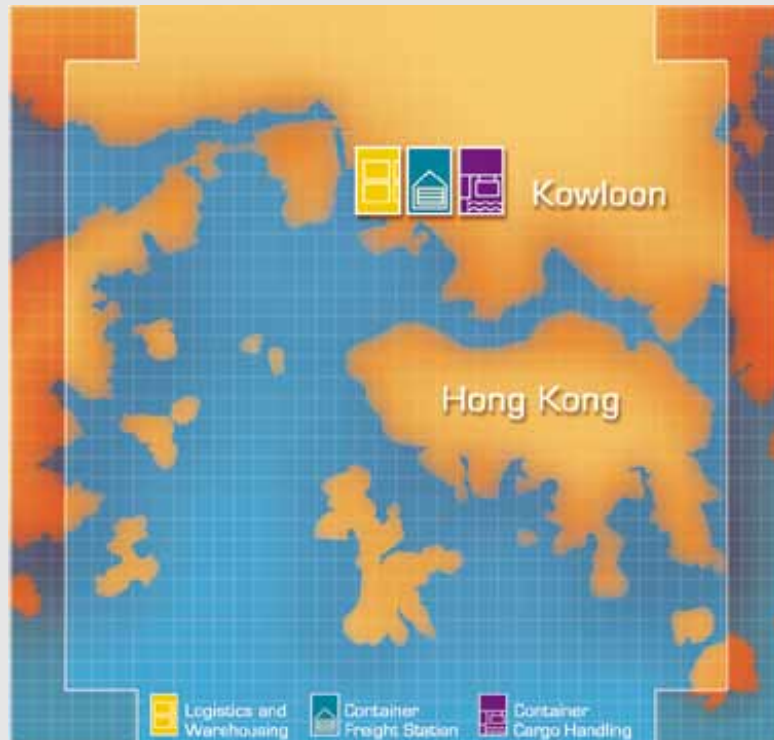




**HONG KONG  
PROJECT REVIEW**

Hong Kong is the world’s busiest container port and by far the most important port in the Greater China region. In coming years, Hong Kong is expected to maintain its position as a leading port and the gateway to Mainland China due to a number of factors. The continuing expansion of the South China economy (particularly after accession into the WTO), highly efficient terminal operations, a free trade environment, top level financial and insurance services and advanced communication networks support Hong Kong’s expansion.

PPC and its partners are ready to take up the challenge in Hong Kong. Over many years, CSX World Terminals, LLC (“CSX”) has built a solid business partnership with PPC’s two largest shareholders, NWI and AIF. This group has developed operating terminal businesses in Hong Kong, including CSX World Terminals Hong Kong Ltd. (formerly Sea-Land Orient Terminals Ltd.) and ATL Logistics Centre Hong Kong Ltd. (formerly Asia Terminals Ltd.) at Kwai Chung Container Terminal No.3 (“CT3”). This mutually beneficial alliance positions PPC to be a leading supplier of container terminal services and a primary beneficiary of growth in the Hong Kong container terminal business.



Presently, Hong Kong’s dominance in the Greater China region is besieged by other cargo handling facilities located in the South China Sea. In particular, the ongoing rise of Guangdong Province as a trade powerhouse has spawned a number of port facilities around the Shenzhen area. The Shenzhen ports are expanding at an accelerated rate and improving their facilities to challenge Hong Kong in the hope of capturing a larger market share of regional activity. Nonetheless, it will take a concerted effort to attract business from Hong Kong.

**CSX World Terminals Hong Kong Ltd.**

PPC's attributable interest:	33.34%
Form of investment:	Equity
Total area:	16.7 ha (41.35 Acres)
Length of berth:	305m (1,000 ft.)
Stacking capacity:	10,872 TEUs
Location:	Berth 3, Kwai Chung Container Terminals, Hong Kong
Operation date:	June 1991
Expiry date:	2047
	<b>For 12 months ended 30 June</b>
	<b>2001 2000 1999</b>
Throughput achieved (million TEUs)	1.74 1.66 1.70



**Asia Container Terminals Ltd.**

PPC's attributable interest:	36.33%
Form of investment:	Equity
Total area:	28.5 ha
Length of berth:	740m
Handling capacity:	1.8 million TEUs p.a.
Location:	Kwai Chung Container Terminal 8 West ("CT8W")
Operation dates:	CT8W (Berth 1) – August 2003 CT8W (Berth 2) – December 2003
Expiry date:	2047

**CSX World Terminals Hong Kong Ltd. ("CSXWT Hong Kong"), formerly Sea-Land Orient Terminals Ltd.**

One of Hong Kong's leading container terminal operators, CSXWT Hong Kong changed its name from Sea-Land Orient Terminals Ltd. on 13th December 2000. CSXWT Hong Kong's CT3 in Kwai Chung serves a number of major international shipping companies. Presently, CSXWT Hong Kong operates the most efficient container terminal in terms of throughput per berth and average crane productivity.

In FY2001, CSXWT Hong Kong throughput increased by 5% to 1.74 million TEUs. The increase was mainly due to the strong business growth of the shipping industry in second half 2000. As a result, revenues increased from HK\$1.56 billion in FY2000 to HK\$1.61 billion in FY2001.

**Outlook**

Given secure long-term contracts with major clients, it is expected that CSXWT Hong Kong can maintain its business

volume over the next few years. With the operation of an additional shore crane in May 2001, productivity will be further improved to enable a higher throughput volume to be handled at CT3. As a consortium member of ACT, a co-developer of CT9, CSXWT Hong Kong will benefit from the completion of ACT's berths in 2003. By capitalising on the synergies of efficient operations and a greater handling capacity from additional berths, CSXWT Hong Kong is primed for future growth.

Due to the expansion of the South China economy and a PRC containerisation rate that is climbing faster than the increase in PRC regional port capacity, Hong Kong container throughput levels will continue to grow in coming years. This trend is supported by Hong Kong's prominence in terms of efficiency, productivity, technology and transparent customs regulations. For that reason, shipping lines prefer to call on Hong Kong as their main port in South China. Furthermore, China's accession into the WTO is another accelerating factor that should push the growth trend in Hong Kong.

**Asia Container Terminals Ltd. ("ACT")**

ACT holds an interest in two CT9 berths and upon completion in 2003 these two berths will be swapped for two berths at Container Terminal No.8 West ("CT8W"). This berth swap arrangement is based on an agreement with Modern Terminals Ltd.

ACT focuses on the provision of container terminal operations and other related services. The CT9 construction project began in May 2000 and the estimated completion date for ACT's two berths at CT9 is scheduled for 2003. Major marketing efforts have been initiated to build clientele for ACT and preparation works for the start of operations in 2003 are in progress, such as terminal layout design, operational systems set-up and more.

**Outlook**

The expansion of the South China economy, growth of the PRC containerisation rate and efficient operations are the major factors that contribute to the expansion of container throughput in Hong Kong. This dynamic benefits existing terminal operators and creates an opportunity for new entrant – like ACT – to establish a business and attain a considerable market share of container traffic. In addition, the common shareholding of CSXWT Hong Kong and PPC in ACT generates value-added synergies for both companies from their potential cooperation.

**ATL Logistics Centre Hong Kong Ltd.**

PPC's attributable interest:	55.67%
Form of investment:	Equity
Location:	Berth 3, Kwai Chung Container Terminals, Hong Kong
Lettable area:	5.9 million sq. ft.
Operation dates:	Phase I – February 1987 Phase II – March 1988 Phase III – February 1992 Phase IV – January 1994 Phase V – November 1994
Expiry date:	2047
	<b>For 12 months ended 30 June</b>
	<b>2001    2000    1999</b>
Yearly average occupancy rate (%)	92.7    94.1    93.3
Total CFS (million cbm)	1.04    1.30    1.35



**ATL Logistics Centre Hong Kong Ltd. (“ATL”), formerly Asia Terminals Ltd.**

ATL operates a Container Freight Station (“CFS”) and cargo distribution centre at CT3 in Kwai Chung. To better reflect its logistics business focus, Asia Terminals Ltd. was renamed ATL Logistics Centre Hong Kong Ltd. in December 2000. The ATL Logistics Centre is one of the world’s largest multi-storey drive-in container freight storage buildings. Its multi-lane vehicle ramp enables all cargo handling activities to be accommodated in one facility. ATL was awarded ISO 9002 certification in 1997 for the “Provision of Warehouse Leasing and Operating CFS and Storage Services”.

To secure premium rental rates and a leading market position, ATL devoted capital resources to upgrade facilities and improve operations at the ATL Logistics Centre. A major building rehabilitation programme was commenced in mid-2000 and should be completed in 2003.

The average rental rate fell due to pressure exerted by tenants for rate reductions upon lease renewals. As a result, total revenues dropped to HK\$753.2 million in FY2001. Despite the market situation, ATL maintained its occupancy rate at high levels. The average occupancy rate dropped slightly from 94.1% in FY2000 to 92.7% in FY2001. In addition, CFS cargo volume dropped by 20% to 1.04 million cbm due to the shrinkage of the Hong Kong CFS market and the relocation of CFS to South China. However, the CFS average tariff per cbm remained stable. In response to the migration of CFS operations to South China, ATL, CSX and PPC have set up a joint venture to develop and operate a customs-approved export CFS/warehousing facility in Yantian, Shenzhen. The operation is expected to commence early next year.

**Outlook**

Due to the limited supply of new comparable warehouse space, it is anticipated that the pressure on rents will ease and lease rental will stabilise. Given an established market position, ATL is expected to maintain its high occupancy rate, consistently above 90% over the past few years. In meeting growing demand for logistics services, ATL will increase marketing efforts, develop advanced in-house facilities to attract more logistics services providers and explore new business opportunities. In addition, the launch of the building rehabilitation programme will improve facilities and operations as part of ATL’s campaign to maintain its reputation as a premium facility. With more demand for logistics services expected after China’s entry into the WTO, ATL is well positioned to become a logistics services provider in China.



### XIAMEN PROJECT REVIEW

As China's sixth largest container port and the busiest port in Fujian Province, Xiamen's natural deep-water harbour accommodates large-sized ships and presents an expansion opportunity for South China terminal operators.

Xiamen's GDP reached RMB50.1 billion in 2000, a 9% increase over 1999. Industrial output was valued at RMB77.6 billion, rising 11% over the previous year. Meanwhile, foreign trade expanded by 26% in 2000 to US\$10.1 billion. Imports accounted for US\$4.2 billion, a 18% increase over the previous year, while exports reached US\$5.9 billion, a 33% rise over 1999.

Xiamen, one of China's first Special Economic Zones, enjoys provincial economic benefits and has independent legislative privileges in certain areas. Thousands of international businessmen visit Xiamen to explore opportunities every day. With the development of the local economy and infrastructure, more than 5,000 foreign companies have an established presence in Xiamen.

Xiamen has developed new economic zones to cope with expansion and the advantages are manifold. For instance, the ongoing construction of the 100 sq. km. Haicang Investment Development Area witnessed the completion of a bridge connecting Haicang with Xiamen Island in 2000. In addition, the dredging work along the East Channel of Xiamen Port enables Xiamen

Port to accommodate larger-sized vessels and increase port handling capacity.

Xiamen Xiangyu Free Trade Zone was established in 1992 to focus on international trade, including trade with Taiwan, transit trade, bonded storage and export processing. The free trade zone provides offshore finance, insurance, information and other services and has its own power and water supply, communications network and customs facility. Declaration agents, banks and import and export agencies all have an established presence.

### Three Links

Xiamen takes full advantage of its geographic location next to Taiwan by actively promoting the Three Links policy (mail, transport and trade) across the Straits. In 1997 the first direct commercial container shipping service commenced between Xiamen Port and the southern Taiwanese port of Kaohsiung. In 2000, the service grew by 18%, representing 29% of total Xiamen Port throughput. In January 2001 a mini Three Links initiative was launched with direct shipping between Xiamen and Kinmen.

Furthermore, Xiamen will gain from China's accession to WTO and the realisation of a full-blown Three Links policy between the Mainland and Taiwan. Simplification of existing trade procedures will encourage the modernisation and internationalisation of Xiamen Port and the evolution of its logistics business. As foreign investment flows rise, approval procedures for foreign investors will be simplified and the government will be more open to foreign participation.

<b>Xiamen Xiang Yu Quay Co., Ltd.</b>	
PPC's attributable interest:	92%
Form of investment:	CJV
Total area:	110,000 sq.m.
Length of berth:	220m
No. of quay cranes:	2
Handling capacity:	250,000 TEUs p.a.
Location:	Huli Industrial Zone, Xiamen, PRC
Operation date:	April 1997
Expiry date:	December 2042
	<b>For 12 months ended 30 June</b>
	<b>2001    2000    1999</b>
Throughput achieved (TEUs):	210,000    125,000    107,000



**Xiamen Xiang Yu Quay Co., Ltd. (“Xiangyu”)**

Serving one of China’s largest container ports, Xiangyu registered solid performance this year. Having weathered the Asian Economic Crisis, the outlook for Xiangyu’s revenue growth is promising. Positioned to benefit from prospective cross-straits direct shipping links with Taiwan and accession to WTO, Xiangyu has witnessed a steady rise in activities over its four-year history.

Xiangyu operates Berth No. 12 in Xiamen Port and is achieving a level of international prominence due to a customer list that includes Maersk-Sealand, APL, Hyundai, Evergreen, MOSK, Hanjin and DSR-Senator. Xiangyu provides container terminal services to shipping lines that range from container handling to CFS operations, storage, warehousing, trucking and other related services. In addition, Xiangyu has ample opportunity for growth due to the liberalisation of the Three Links policy. With an increasing level of business and throughput volume since its inception,

Xiangyu is an important component of the Xiamen Port operations.

In FY2001, revenues increased 48% to RMB74 million from RMB50 million in FY2000. Throughput grew 68% to 210,000 TEUs from 125,000 TEUs in the previous year due to an expanded client base. Due to a higher throughput mix of empty containers (with lower tariffs) in FY2001, the revenue growth rate did not increase in line with the throughput growth rate. Continuous efforts to increase productivity and efficiency have allowed Xiangyu to maintain its competitive edge and become one of Xiamen’s most efficient terminal operators. Productivity remains at high level with an average of 28 PMPH in FY2001. This relatively high productivity rate assists Xiangyu to attract and retain clients that consider productivity to be a competitive strategy. The quality of Xiangyu services was recognised in the Second China Freight Industry Awards (“CFIA”) 2000 with an award for “Excellent Logistics and Information Management System” from the China Shipping Gazette.

**Outlook**

A number of positive trends support the outlook of Xiangyu. The inauguration of more and more long-haul shipping services to the US and Europe by international shipping lines have contributed to the popularity and prosperity of Xiamen Port. Further growth in cargo handling will be fueled by the liberalisation of the Three Links policy and more cross-straits shipping between Mainland and Taiwan. Within this context, Xiangyu is positioned to capture the future growth of Xiamen Port.

The commencement of operations at the adjacent Berths No. 13 and No. 14 of Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. will provide additional handling capacities to support Xiangyu’s growth. This will also create synergies to rationalise operations, enhance efficiency and maximize the profitability of these two side-by-side terminal companies. Meanwhile, the completion of Xiamen Port channel dredging works allows Xiangyu to accommodate fifth

generation container vessels, expand its capacity to serve the largest shipping lines and enlarge its revenue base.

**Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd.**

PPC's attributable interest:	60%
Form of investment:	CJV
Total area:	210,000 sq.m.
Length of berths:	420m
No. of quay cranes:	2
Handling capacity:	250,000 TEUs p.a. (Berth No. 13) and 680,000 tonnes p.a. (Berth No. 14)
Location:	Xiangyu Free Trade Zone, Xiamen, PRC
Operation date:	First half 2002
Expiry date:	December 2045



**Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. (“Huijian”)**

To support activity at Berth No. 12, PPC secured development rights through the Huijian joint venture for adjacent Berths No. 13 and No. 14. As Berths No. 13 and No. 14 are under development they did not contribute operating revenue this year. When Berth No. 13 becomes operational in first half 2002, its strategic location next to Berth No. 12 will provide flexibility and synergy to the operation, translating into cost savings.

Construction work for the quay structure of Berth No. 14 has been completed while the civil works for the container yard is expected to be complete in 2002. Two sets of Ship-To-Shore Cranes and five sets of Rubber Tyred Gantry Cranes were delivered to Huijian in 2000. The commissioning of this new container handling equipment was completed.

Since all tax-exempt goods must be handled in the Xiamen Free Trade Zone, Berth No. 13, a container terminal within the Free Trade Zone, is in a prime position to benefit from this expanding business. As a result, Huijian has a distinct advantage over its competitors and will enjoy the rewards of this position in the coming years.

**Outlook**

To meet the demand for container handling facilities created by impressive container throughput growth in Xiamen, Huijian is considering modifying Berth No. 14 from a multi-purpose berth into a container berth. In addition, after the completion of the channel dredging works, Berths No. 13 and No. 14 will join Berth No. 12 in handling fifth generation container vessels. Meanwhile, with Berth No. 13 coming on-stream in the next financial year, Huijian will join Xiangyu as an important revenue contributor for PPC in coming years.

**Xiamen New World Xiangyu Warehouse & Processing Zone Ltd.**

PPC's attributable interest:	100%
Form of investment:	Wholly foreign-owned
Total area:	89,448 sq.m.
Location:	Huli Industrial Zone, Xiamen, PRC
Operation date:	January 1998
Expiry date:	March 2045
	<b>For 12 months ended 30 June</b>
	<b>2001 2000 1999</b>
Yearly average occupancy rate	89% 86% 37%

**Xiamen New World Xiangyu Warehouse & Processing Zone Ltd. (“WPZ”)**

WPZ, a wholly owned PPC subsidiary, is located behind Xiangyu's Berth No. 12 and provides facilities for auxiliary services such as container depot, warehousing, maintenance workshop and logistics facilities.

WPZ's revenue decreased by 1% from FY2000 to RMB2.8 million in FY2001. Still, the average occupancy rate rose from 86% for FY2000 to 89% for FY2001. The revenue drop is mainly attributable to a lower proportion of land leased to those higher yield tenants for office and warehouse space.

**Outlook**

WPZ aims to become one of the leading regional logistics and distribution centers in Xiamen. Currently, management is exploring opportunities to develop WPZ into an advanced warehousing and logistics facility with possible cooperation with other potential partners.

**Xiamen Xinyuan Container Terminal Co., Ltd.**

PPC's attributable interest:	70%
Form of investment:	EJV
Total area:	38,000 sq.m.*
Location:	Huli Industrial Zone, Xiamen, PRC
Operation date:	January 1999
Expiry date:	April 2018

<b>For 12 months ended 30 June</b>			
<b>2001</b>	<b>2000</b>	<b>1999</b>	
Throughput achieved (TEUs):	13,752	8,396	3,270

\* Area leased from WPZ



**Xiamen Xinyuan Container Terminal Co., Ltd. ("Xinyuan")**

Xinyuan is a joint venture with Xiamen COSCO International Container Freight Station and Transportation Co., Ltd. Xinyuan leases 38,000 sq. m. from WPZ for the provision of cargo consolidation, container storage, container repair and maintenance services.

Xinyuan experienced a solid year in FY2001. Revenues increased by 60% over FY2000 to RMB9.8 million and cargo consolidation throughput reached 13,752 TEUs, a 64% increase over FY2000. The significant increase in revenues and throughput is attributable to Xinyuan's management focus on improving operation service levels and soliciting new customers.

**Outlook**

In view of the promising result achieved in FY2001, Xinyuan is actively planning to expand its existing operations by leasing additional land and purchasing more operating equipment. Xinyuan is working closely with Xiangyu and WPZ to explore business opportunities and hopes to build synergies with these affiliated companies.



### TIANJIN PROJECT REVIEW

Tianjin is an industrial and transportation hub as well as China's fourth largest container port in terms of throughput. As North China's key port, Tianjin serves the economic nexus of Beijing, Hebei, Shanxi and Shaanxi. In the eastern part of the city, along the coast of Bohai Bay, is Tianjin's Coastal New Zone, which consists of three Special Economic Zones: Tianjin Economic & Technological Development Zone, Tianjin Port Free Trade Zone and Tianjin New Technology Industrial Park.

Due to its reputation as a major coastal port and an industrial base in North China, Tianjin was selected as one of 15 pilot cities to establish an export-processing zone. In 2000, Tianjin GDP reached RMB163.9 billion, up 13% from 1999. In terms of foreign trade, Tianjin's exports rose by 31% to US\$8.3 billion and imports increased by 25% to US\$7.9 billion in 2000.

Tianjin Port, a North China gateway for trade, conducts business with over 300 ports in 160 countries and regions. In addition to general cargo and container handling, Tianjin has special handling facilities for coal, coke, oil, grain and salt. The port has a total quay length of over 12 km and there are over 140

berths, of which 9 are container berths and 47 can serve vessels of 10,000 tonnes or more. Tianjin Port recorded a successful cargo handling year in 2000 with impressive growth rates. Container throughput reached 1.7 million TEUs in 2000 representing a 31% increase over 1999. Total cargo-handling volume expanded by 31% to 95.7 million tonnes in 2000.

Plans are underway to upgrade existing container handling facilities and convert the existing multi-purpose or bulk terminals into container terminals in the next few years. The expansion plan will further improve container handling capacity to 4 million TEUs per annum by 2005. Through investment in container handling facilities, the port will provide 18 container berths to serve sixth generation container vessels in 2010. Furthermore, the width and depth of Tianjin Port's main navigation channel will be dredged to 180m and -14m respectively by the end of 2001, and will be dredged to 210m and -15m respectively by 2002. By then, Tianjin Port will accommodate fifth or sixth generation container vessels.

Currently, there are container block trains running from Tianjin to Xian, Lanzhou and Chengdu. At present, about 40% of Tianjin Port export volume originate from the Central and Western China. In the future, container flows to and from the port are expected to increase with the implementation of the development programme for the Inner West China and the holding of the 2008 Olympics in Beijing.



**Sea-Land Orient (Tianjin) Container Terminals Co., Ltd.**

PPC's attributable interest:	24.5%
Form of investment:	EJV
Total area:	468,664 sq.m.
Length of berths:	1,136m
No. of shore cranes:	8
Handling capacity:	1.2 million TEUs p.a.
Location:	Xingang Dongtuti South Terminal, Tanggu, Tianjin, PRC
Operation date:	January 1999
Expiry date:	March 2027

	<b>For 12 months ended 30 June</b>
	<b>2001    2000    1999</b>
Throughput achieved (TEUs)	767,000 628,000 174,000



**Sea-Land Orient (Tianjin) Container Terminals Co., Ltd. ("SLOTT")**

As one of China's leading port operators, SLOTT operates four container berths and one coal berth at the Dongtuti South Terminal in Tianjin Xingang. With a handling capacity of 1.2 million TEUs per annum, SLOTT accounted for about 42% of Tianjin Port's container throughput volume in 2000. The terminal provides container stevedoring, storage, repairs and refrigerated container handling services.

Since SLOTT commenced operations in 1999, the joint venture has exhibited continuous improvement in throughput volume and revenue streams. In FY2001, SLOTT throughput rose by 22% over FY2000 to 767,000 TEUs and revenue improved by 22% over FY2000 to RMB210.1 million. The throughput and revenue increase is attributable to increased throughput from existing customers and the addition of new customers. The outstanding performance of SLOTT was recognised with the "Award for the Best Beneficial Result of Tianjin Enterprises with Foreign

Investment for 2000", presented by Tianjin Association of Enterprises with Foreign Investment and the Tianjin Foreign Investment Service Center.

**Outlook**

According to "China Shipping Gazette", Tianjin Port container throughput increased by 14% in first half 2001 over the previous corresponding period. The growth curve for Tianjin Port is expected to climb and this will offer PPC exciting opportunities. A number of positive factors contribute to the growth in throughput. Among these, the prime element is the demand for container transportation from Inland China. Furthermore, volumes are expected to rise with the implementation of the government's development programme for Central and Western China as well as the 2008 Olympics in Beijing.

To cope with the expected increase in throughput, SLOTT has acquired three new shore cranes to replace two existing ones and four additional Rubber Tyred Gantry Cranes ("RTGs") in first half 2001. These new shore cranes are

capable of handling sixth generation container vessels. With the new RTGs, the productivity and quality of services of SLOTT can be further improved.



### NANJING PROJECT REVIEW

The capital of Jiangsu Province, Nanjing, is located at the lower reaches of the Yangtze River and is one of China's major manufacturing centers. Nanjing Port plays a critical role as a sea-land interchange within the Yangtze Delta Economic Zone. As one of the most important business centers in East China, the city serves as a hub for provinces on the upper and lower Yangtze River, including Zhejiang, Jiangxi, Hubei, Hunan and Sichuan.

Major industries include autos, building materials, electronics and chemicals.

Spurring growth in the inland region is critical to the government's development plan. One focus of this programme is to improve inland navigation systems, especially along the Yangtze River. The immediate beneficiary of this policy is Nanjing Port. The port is positioned to become a prosperous hub and its development is a government priority.

Nanjing Port ranks first among China's top ten inland river ports in cargo throughput and is a gateway for foreign trade in crude oil, coal and iron ore. The port has 65 berths, of which 14 serve vessels of 10,000 tonnes or more. Container throughput reached 203,000 TEUs in 2000, a 29% increase over 1999. Total cargo throughput, including chemical products and petroleum, reached 66.8 million tonnes in 2000, a 13% rise over 1999.

With a population of 5.4 million, Nanjing's GDP topped RMB102 billion in 2000, a 12% rise over 1999. Utilised foreign direct investment, which is mainly derived from Hong Kong, Taiwan, the US and Japan, rose to US\$813 million in 2000, an increase of 5% over 1999.

Nanjing Huining Wharfs Co., Ltd.	
PPC's attributable interest:	55%
Form of investment:	EJV
Total area:	645,000 sq.m.
Length of berths:	1,200m
Handling capacity:	6.5 million tonnes p.a.
Location:	Xixia District, Nanjing City, PRC
Operation date:	October 1994
Expiry date:	June 2019
	<b>For 12 months ended 30 June</b>
	<b>2001 2000 1999</b>
Throughput achieved (million tonnes)	4.9 4.8 4.7



### Nanjing Huining Wharfs Co., Ltd. (“Huining”)

Huining operates nine bulk cargo berths in Nanjing Port. This joint venture is the most important bulk cargo terminal operation at the lower reaches of the Yangtze River. Huining’s primary focus is to serve as a vital trans-shipment base for coal, iron ore and other minerals.

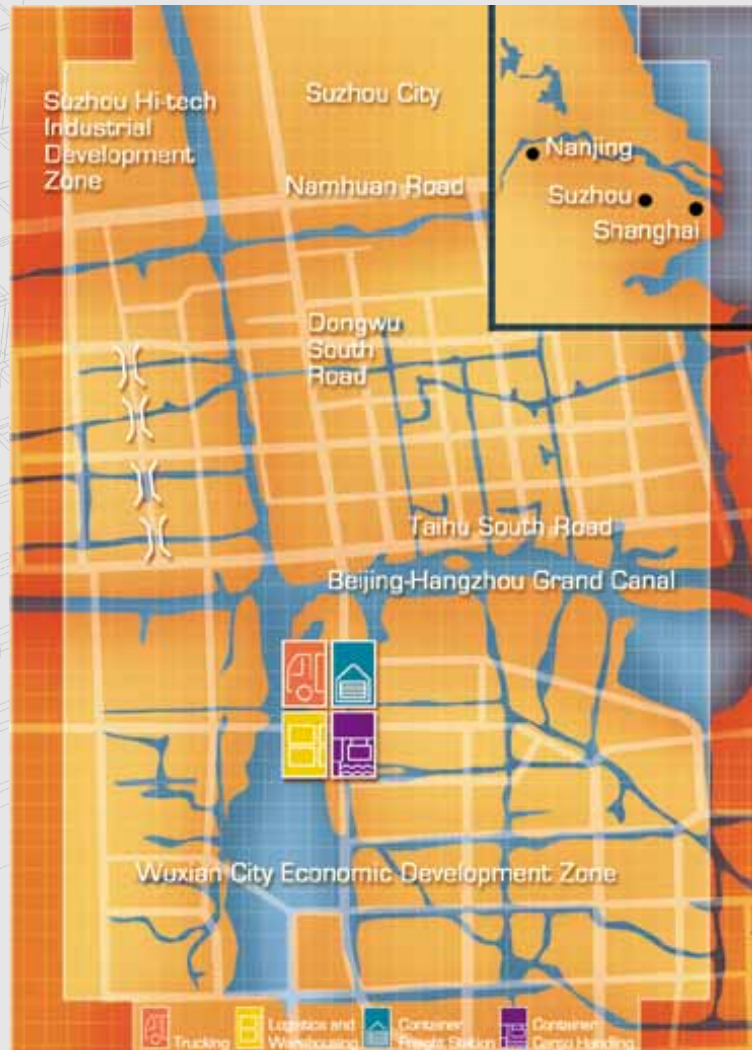
Huining handled 4.9 million tonnes of bulk cargo during FY2001, a 2% increase over the previous year. During this period, Huining’s revenue increased by 20% to RMB63.4 million due to the handling of high-yield minerals, such as copper and phosphate with higher tariffs.

#### Outlook

As one of the largest bulk cargo terminals along the Yangtze River, Huining’s cargo volume is forecast to reach 5 million tonnes in 2001, an encouraging growth rate. To increase the flow of business Huining will be more

flexible on pricing and services, handle more high-margin cargoes and build a new warehouse to accommodate cargoes like phosphates and steel.

On 30th August 2001, Nanjing Port Authority (“NPA”) and Huining have entered into an Operating and Management Agreement (the “Agreement”), whereby NPA has agreed to undertake the operation and management of Huining and to be responsible for the profits and losses of Huining for its unexpired tenure up to June 2019 at a consideration of RMB18 million payable to PPC from Huining. The Agreement is subject to the approvals of the relevant PRC government authorities and will be effective from the date of such approvals.



### SUZHOU PROJECT REVIEW

As one of the first coastal Open Economic Zones approved by the State Council in the early 1980s, Suzhou witnessed the rapid rise in its economy. Currently, Suzhou is a major industrial centre in East China with an output of RMB360.1 billion in 2000, a 20% increase over 1999. Major industrial products include machinery, electronics, chemical products, pharmaceuticals, silk, textiles and construction materials. The GDP of Suzhou reached RMB154.1 billion in 2000, a 13% increase over 1999.

terminal will be built in four phases and construction is expected to start in late 2001. The first phase is planned to commence operations by 2003 and the completion of the final phase is targeted for 2010. Meanwhile, a development plan has been formed to improve inland river transportation along the Yangtze River and Shanghai Port. Suzhou will be one of the river ports along the Yangtze River that benefit most from the improvement of inland river transportation and the development of deep water container terminals in Shanghai.

Suzhou is located in the Yangtze River Delta close to Shanghai and plays a vital role in river transportation. There are two economic and technology zones in Suzhou. One is the Suzhou Hi-Tech Industrial Development Zone, also known as Suzhou New Development Zone, and the other is Suzhou Industrial Park, a co-operative project between China and Singapore. Both aim to develop a hi-tech city and build an international standard industrial park for Suzhou.

In early 2001, the State Council approved the construction of China's largest container terminal on two islands, Da Yang Shan and Xiao Yang Shan, adjacent to Shanghai. The

**Suzhou Huisu International Container Freight Wharfs Co., Ltd.**

PPC's attributable interest:	55%
Form of investment:	EJV
Total area:	46,220 sq.m.
Length of berth:	293m
Handling capacity:	40,000 TEUs p.a. and 600,000 tonnes p.a.
Location:	Wuxian New District, Suzhou, PRC
Operation dates:	January 1998 (trucking operation) 1st quarter of 2002 (terminal operation)
Expiry date:	December 2025

**Suzhou Huisu International Container Freight Wharfs Co., Ltd. (“Huisu”)**

Huisu is a river port located in Suzhou next to the two major industrial zones. Management plans to develop Huisu as a multi-purpose facility handling containers and general cargoes. Currently, Huisu's main activity is the provision of trucking services. After a restructuring of Huisu's management in 2000, Huisu has added new clients such as Suttons International, Eka Chemicals and Sinotrans Jiangsu.

In February 2001, PPC entered into an agreement to acquire an additional interest of 20% in Huisu from the Chinese partner. The completion of the share transfer is pending the approvals of the relevant PRC government authorities. After acquisition of this 20% interest, PPC's management control of Huisu can be strengthened to improve operational efficiency and marketing effectiveness. This should enhance Huisu's profitability and contribution to PPC over the long term. In line with the

development of inland river transportation, Huisu plans to upgrade its terminal facilities by first quarter 2002.

**Outlook**

Huisu is making an effort to explore new opportunities, such as warehousing services and water transportation. A co-operation plan regarding the development of water transportation between Suzhou and Shanghai is being evaluated. Due to a growing demand for services from companies housed in the industrial zones and its solid experience, Huisu is positioned as a leading freight operator providing logistics services in Suzhou.