

# Management Discussion & Analysis

## Review of Operations



The port and cargo handling operations of PPC cover the geographic regions of North, East and South China. The South China ports of Hong Kong and Xiamen are the most active from an operational perspective. The inland river port of Suzhou on the Yangtze River serves the Shanghai hinterland. As for the port of Tianjin, this rapidly expanding trade and transportation hub serves the industrial heartland of North China.

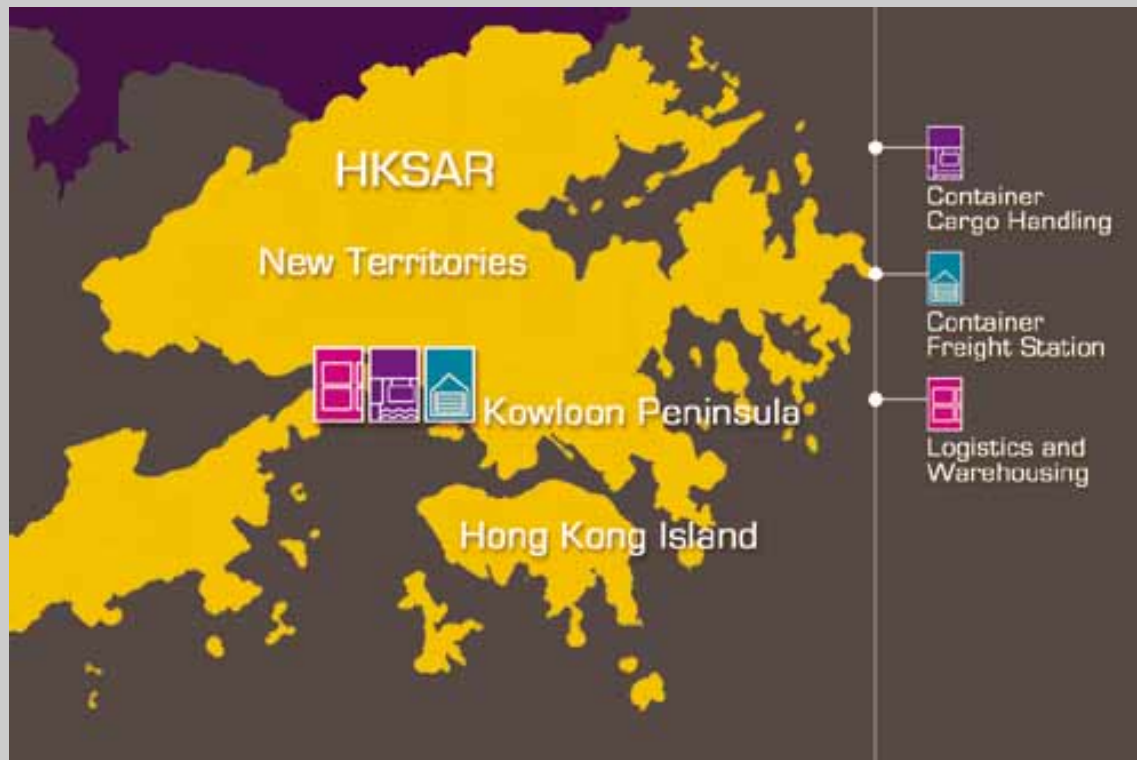
The following section reviews PPC port operations and provides an outlook for each project in the coming year.

### HONG KONG PROJECTS

Hong Kong is the world's busiest container port and by far the most important cargo handling facility in the Greater China region. In coming years, Hong Kong is expected to maintain its leading position as the foremost gateway to China. Though a concerted effort is being made to win a larger share of the container handling market by South China ports, notably those around Shenzhen, the task of taking on Hong Kong is not an easy one.

There are still far too many pluses in the Hong Kong port equation for the lesser known South China ports to compete head-on over the medium-term. Among the various factors that support Hong Kong dominance are the ongoing economic expansion of South China, China's WTO accession, highly efficient terminal operations, a liberal trade environment, quality financial and insurance services and a global standard communication network.

Hong Kong plays a key role in the PPC business mix. PPC has confidence in the future of Hong Kong as a leading port and is committed to maintain and build a solid presence over the long-term. Presently, PPC holds a 33.34% interest in CSXWTHK, the operator of Container Terminal 3 ("CT3") at Kwai Chung. In addition, PPC holds an attributable interest of 23.34% in ACT, a joint developer of the CT9 consortium.



**CSX World Terminals Hong Kong Limited**

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

**For 12 months  
ended 30 June**

	2002	2001	2000
Throughput achieved (million TEUs)	1.37	1.74	1.66



**CSX World Terminals Hong Kong Limited  
("CSXWTHK")**

CSXWTHK is one of Hong Kong's leading and busiest container terminal operators. As such, CSXWTHK is renowned in the shipping industry as the most efficient container terminal in Kwai Chung in terms of throughput per berth and average crane productivity.

The global turmoil of FY2002 affected throughput numbers in Hong Kong. The US ranks second as an export destination and America's economic slowdown was exacerbated by the 9/11 Incident. Given that scenario, it was impossible for Hong Kong's throughput numbers to remain constant. As a result of the throughput decrease, CSXWTHK revenue dropped from HK\$1.61 billion in FY2001 to HK\$1.43 billion in FY2002.

**Outlook**

CSXWTHK is confident that its business will continue to expand in a stable and profitable manner. Secured long-term contracts with major customers permit CSXWTHK to maintain business volumes over the next few years. The completion of two ACT berths at CT9 will allow CSXWTHK to capitalise on efficient operations and enjoy greater handling capacity due to additional berths.

CSXWTHK's prospects are tied with the booming economy of China and WTO accession provides a promising future. China is liberalising foreign trade policies and one major aim is to improve containerisation rates. Given the initiative to containerise regional port capacity, the trade flows are likely to increase substantially. That will support throughput growth in Hong Kong. PRC port system modernisation does present some competition, however, Hong Kong's efficiency, productivity and transparent regulations cannot be matched for some time to come.

**Asia Container Terminals Limited (“ACT”)**

ACT has the right to own and operate two of the six berths at CT9. Following the completion of its two berths at CT9, ACT will swap its interest at CT9 with Modern Terminals Ltd. for the two existing berths at CT8W. ACT’s first and second berths are scheduled to commence operation in first half 2004.

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 in the first half 2004. A marketing strategy designed to build clientele for ACT, procurement of major terminal equipment and installation of computer system for terminal operations have been initiated to support the start up of the ACT operation in 2004.

**Outlook**

Container throughput in Hong Kong will continue to grow at a steady pace. The expansion of foreign trade, rising PRC containerisation rates and the prosperity of the South China economy contribute to this development. These favourable factors create an opportunity for ACT as a new entrant to establish a business and attain a solid market share when operations begin in 2004. In addition, the common shareholding of PPC and CSXWTHK in ACT will generate synergies for both companies in what is a most promising cooperation.

Asia Container Terminals Limited	
PPC’s attributable interest:	23.34%
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”), Hong Kong
Operation dates:	CT8W (Berths 1 & 2) – first half 2004
Expiry date:	2047

**ATL Logistics Centre Hong Kong Limited ("ATL")**

ATL operates a Container Freight Station ("CFS") and cargo distribution centre at the ATL Logistics Centre situated at CT3 in Kwai Chung. The facility is ideally located due to its convenient connection to commercial districts, densely populated areas, the Hong Kong International Airport and the Mainland border.

ATL Logistics Centre is one of the world's largest multi-storey drive-in container freight storage buildings. With its multi-lane vehicle ramp, ATL allows vehicles access to all levels of the building, enabling cargo-handling activities to be housed in one facility. ATL has been awarded ISO9002 certification for the "Provision of Warehouse Leasing and Operating CFS and Storage Services" since 1997. This certification was converted to ISO9001 certification for the "Provision of Warehouse Leasing and Management of Container Freight Station Services" in June 2002.

The average occupancy rate for FY2002 is 93.6%, which remains stable as compared to the previous year. However, the average rental rate decreased slightly in FY2002. Due to rising competition from South China, the average CFS tariff per cbm decreased by 5% while handling volume rose slightly by 2% to 1.06 million cbm in FY2002, compared to FY2001. As a result, ATL revenues dropped to HK\$714.9 million in FY2002, a 5% decrease over FY2001.

ATL is positioned to meet the competition head-on. The facility can achieve premium rental rates and maintain a market leading position by providing high quality services. This is achieved by devoting capital resources to the upgrade of facilities and by improving operations. The building rehabilitation program started in mid-2000 is on schedule and will be complete by 2005. In addition, the upgrade of the existing traffic management system is being implemented to improve traffic flows and operational efficiency for cargo handling.

In response to the migration of CFS operations to South China, ATL, CSX and PPC have set up a joint venture called ATL Logistics Centre Yantian Limited ("ATLY"). ATLY started operating a customs-approved export CFS/warehousing facility in Yantian, Shenzhen in January 2002.

ATL Logistics Centre Hong Kong Limited			
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>		
	2002	2001	2000
Yearly average occupancy rate (%)	93.6	92.7	94.1
Total CFS (million cbm)	1.06	1.04	1.30



**Outlook**

Given the limited supply of new comparable warehouse space and the anticipated recovery of the global economy, the rental market is expected to stabilise in the coming year. As a major participant in the warehouse leasing market, ATL anticipates its occupancy rate to be maintained at over 90%. ATL has consistently managed to achieve this level over the years despite economic challenges. To meet the growing demand in the area of sophisticated logistics services, ATL will develop and upgrade more advanced in-house facilities.

ATL is concentrating efforts on intensive marketing strategies to attract more logistics service providers while exploring other business opportunities. ATL's reputation as a premier facility with high operational efficiency and quality services can be sustained as a result of the launch of the building rehabilitation program and the upgrade of the traffic management system. Finally, ATL is committed to handle the rising demand for logistics services in the Mainland upon China's accession to the WTO. After the successful establishment of ATLY, ATL will explore other PRC investment opportunities.



## TIANJIN PROJECT

A major effort is underway to turn Tianjin into a leading PRC port. Currently, Tianjin is the nation's fourth largest container port in terms of throughput. Tianjin benefits from its strategic location as a North China port at the crossroad of Beijing, Hebei, Shanxi and Shaanxi. Tianjin's Coastal New Zone is situated alongside Bohai Bay and consists of three Special Economic Zones: Tianjin Economic & Technological Development Zone, Tianjin Port Free Trade Zone and Tianjin New Technology Industrial Park.



Tianjin is an industrial and transportation hub in which many important railway lines cross. The railway networks are served by expressways that head to major cities across China. Tianjin has numerous lines of industry, consisting primarily of electronics, automobile, metallurgy, pharmaceuticals, textiles, chemicals and mechanics. In 2001, Tianjin's GDP reached RMB182.7 billion, up 11% from 2000. In terms of foreign trade, exports rose by 14% to US\$9.5 billion and imports increased by 10% to US\$8.7 billion in 2001. As such, the government believes that the rapid establishment of an international standard logistics system to service Tianjin is a priority.

Tianjin Port conducts business with over 300 ports in 160 countries and regions. The port has special handling facilities for coke, coal, oil, grain and salt. Tianjin Port has a quay length of over 12 km and there are over 140 berths of which 11 are container berths. Presently, the port has 60 scheduled shipping services, of which 49 are international. The year 2001

was a record-breaker for Tianjin Port. Container throughput reached 2.01 million TEUs in 2001, a rise of some 18% over 2000. Total cargo-handling volume expanded by 19% to 113.7 million tonnes in 2001.

Plans are underway to further develop Tianjin Port. The southern part of the port is designed to handle dry and liquid bulk cargo while the northern part is dedicated to container handling. The conversion of six existing general cargo berths on the northern side of the East Pier (Dongtuti North) into four container berths commenced in 2002. Plans are underway to construct five more container berths before 2010. This should increase Tianjin Port's container handling capacity to 4 million TEUs per annum by 2005. It is expected that container handling capacity will reach 7 million TEUs per annum by 2010.

Furthermore, the dredging of the 100,000-tonne deep-water channel was completed in August 2002. With a depth of -15 m and a total length of 28.8 km, the channel can now accommodate fifth and sixth generation vessels without counting on tides. Meanwhile, Phase 1 of the 150,000-tonne deep-water channel-dredging project has been commenced. With the completion of this dredging, the depth of the channel can reach -17.2m.

Tianjin Port stands to benefit from the development program of western and central China more than any port. The demand for container transportation services from West China is expected to rise as the government initiative progresses. The implementation of this large-scale development program will drive container traffic in Tianjin to higher levels in coming years.

More good news arrived for Tianjin in 2001 when Beijing was awarded the right to host the 2008 Olympics. This victory will enhance trade flows at Tianjin, accelerate investment flows into the port sector and quicken the development pace of port infrastructure.

**CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT")**  
**(Formerly Sea-Land Orient (Tianjin) Container Terminals Co., Limited)**

CSXOT is one of China's leading port operators. It operates four container berths and one coal berth at the Dongtuti South Terminal in Tianjin Xingang. With a handling capacity of 1.4 million TEUs per annum, CSXOT accounted for about 42% of Tianjin Port container throughput in 2001. The terminal provides container stevedoring, storage, repairs and refrigerated container handling services.

CSXOT maintained solid growth in both throughput volume and revenue streams in recent years. In FY2002, CSXOT's throughput rose by 15% over FY2001 to 884,000 TEUs and revenue improved by 20% to RMB251.8 million. The throughput increase was attributable to a mix of more business generated from the existing customer base and the addition of new customers. Tariff increases in international container stevedoring charges and increased demand for other terminal services were other factors contributing to revenue growth.

The outstanding performance of CSXOT was well recognized again this year. Cargonews Asia ranked CSXOT as the 12th "Best Container Terminal Operator" at the Asia Freight Industry Awards 2002. For the second consecutive year, the "Award for the Best Beneficial Result of Tianjin Enterprises with Foreign Investment" was presented to CSXOT in 2001 by the Tianjin Association of Enterprises with Foreign Investment and the Tianjin Foreign Investment Service Centre.

**CSX Orient (Tianjin) Container Terminals Co., Limited**

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:	1.4 million TEUs p.a.
Location:	Xingang Dongtuti South Terminal, Tanggu, Tianjin, PRC
Operation date:	January 1999
Expiry date:	March 2027

**For 12 months ended 30 June**

	2002	2001	2000
Throughput achieved (TEUs)	884,000	767,000	628,000



**Outlook**

The growth curve for cargo throughput is expected to climb again. This will create opportunities for PPC as well as improve AOP contribution from CSXOT. According to China Shipping Gazette, Tianjin Port's throughput rose by 21% to 1.15 million TEUs in first half 2002 over the previous period. This half-year throughput figure exceeds the annual throughput recorded by Tianjin Port just four years ago.

To cope with the expected throughput increase, CSXOT plans to convert its existing coal berth into a container berth after coal operations move to the southern part of Tianjin Port. In addition, CSXOT plans to purchase two additional Rubber Tyred Gantry Cranes to improve productivity and quality of services.

### XIAMEN PROJECTS

Xiamen was China's sixth largest container port in 2001 and the busiest facility in Fujian Province. This port is fast becoming an ideal expansion and investment opportunity for South China terminal operators due to a natural deep-water harbour that can accommodate large container vessels. The Taiwan trade card remains an important component of the growth picture, as does the recent liberalisation of government controls on port operations.

Among the first PRC Special Economic Zones, Xiamen has legislative and economic advantages. Xiamen is becoming a favoured meeting place for international business, with over 5,000 foreign companies housed within its borders. GDP reached RMB55.6 billion in 2001, a 12% increase over 2000. Industrial output was valued at RMB88.4 billion, rising 15% over the previous year. Meanwhile, foreign trade expanded to US\$11.1 billion in 2001, up by 10% year over year. Imports accounted for US\$4.6 billion, a 10% increase

over the previous year, while exports reached US\$6.5 billion, an 11% rise.

Recently, Xiamen Municipal Government led the way in the promotion of port operations through the introduction of new measures. First, the government instituted tighter customs control on terminal operations to crack down on smuggling operations. Second, the government lifted its policy for compulsory container cargo transportation insurance permits purchased by cargo owners and reduced depot and trucking fees to improve competitiveness.

Xiamen Customs joined the liberalisation spirit by qualifying 30 international vessels as Grade A. These vessels can now be handled immediately after berthing, thus increasing efficiency and reducing berthing time. The cancellation of additional terminal handling charges for intra-Asia vessels from January 2002 also promotes the use of Xiamen Port by shipping lines.





The simplification of trade costs and procedures encourages internationalisation and modernisation along with the evolution of the logistics system. These steps allow foreign investment flows to rise in Xiamen and set in motion a dynamic that will see greater foreign participation in a number of key areas. This fundamental liberalisation, along with WTO accession, will have a positive impact on the growth prospects of Xiamen.

**Xiamen Expands**

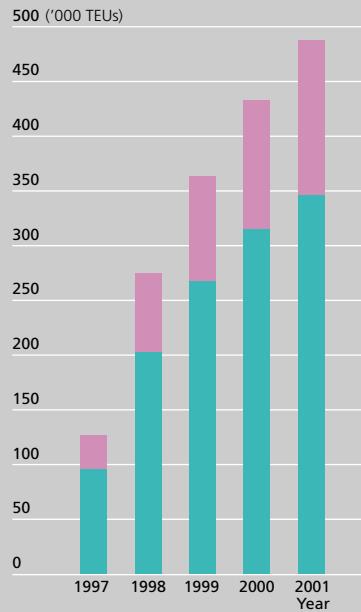
Xiamen’s geographic location and proximity to Taiwan is most advantageous and port operators closely watch the progression of the Three Links Policy. This policy is designed to improve mail flow, transport links and cross-straits trade.

The first significant move came in 1997 when a direct container shipping service commenced between Xiamen and Kaohsiung. This service grew by 15% in 2001, compared to 2000, representing nearly 30% of total Xiamen Port throughput. In January 2001, the Three Links Policy witnessed another breakthrough with the launch of a mini Three Links initiative which permitted direct shipping between Xiamen and Kinmen.

Xiamen has responded to these policy moves with higher growth in logistics services and port capacity. This positive step forward has been accomplished by the completion of new berths and the addition of operating equipment at major terminals, including Xiangyu, Haitian and Haicang.

Headway was made at the Dongdu Port District, where Berths No. 10 and 11 began operations and the construction of Berths No. 15 and 16 was completed. Dredging work along the east channel of Xiamen Port for Berths No. 1 to 11 finished in September 2001. The second phase of dredging for Berths No.12 to 14 is now underway. The result is that the channel depth increased from -8.5 m to -10.5 m, thus making the port more accessible. Dredging work along the west channel is in progress and expected to be completed by 2004. All these activities support the growth surge Xiamen Port is experiencing.

Container Volume of the “trial direct shipping” across the Taiwan Straits



Source: The 2001 Report on China’s Shipping Development (by The Ministry of Communications of the People’s Republic of China)

**Xiamen Xiang Yu Quay Co., Ltd.**

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>	
	2002    2001    2000
Throughput achieved (TEUs):	320,000    210,000    125,000



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

Xiangyu had an impressive year. The company recorded solid revenue growth and progressed with its expansion plan. In addition, Xiangyu entered into a merger agreement in June 2002 with Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. and Xiamen Xiangyu Free Port Developing Co., Ltd. ("Xiangyu Free Port"). This merger consolidates the operations of Berths No. 12 through 16 under one unified banner.

Serving one of China's largest container ports, Xiangyu expanded during the Asian economic crisis and the outlook for revenue growth is most promising. Positioned to benefit from direct shipping links with Taiwan and WTO accession, Xiangyu witnessed a steady rise in activity since commencing operations in 1997.

The stellar Xiangyu client list includes Maersk-Sealand, APL, Hyundai, Evergreen, MOL, Hanjin and DSR-Senator. Xiangyu provides services that range from container handling to CFS operations, storage, warehousing, trucking and other related services. Xiangyu is primed for growth due to the liberalisation of the Three Links Policy and the commencement of international and domestic trans-shipment businesses.

Xiangyu maintains a competitive edge through its ongoing efforts to increase operating productivity and efficiency. In so doing, Xiangyu is now one of Xiamen's most efficient terminal operators. Productivity remains high with an average of 28 PMPH in FY2002. This productivity rate attracts and retains clients that consider productivity to be a competitive edge.

The inauguration of new shipping services this year, particularly the European and US services, bolstered performance. Revenues rose 28% to RMB95 million in FY2002 from RMB74 million in FY2001. Throughput grew 52% to 320,000 TEUs in FY2002 from 210,000 TEUs last year due to more business from existing customers. Revenue growth did not rise with throughput growth because of a reduced demand for other terminal services and the extension of the free container storage period granted to customers.

**Outlook**

Xiangyu's future is supported by a number of factors. The inauguration of more long-haul shipping services to the US and Europe by international shipping lines increases the popularity and prosperity of the port. Meanwhile cargo handling growth is fuelled by the liberalisation of the Three Links Policy, cross-straits shipping with Taiwan and WTO accession.

Xiamen is in the process of improving its natural attributes. Dredging work along the east channel for Berths No.12 to 14 will increase the channel depth from -8.5 m to -10.5 m by second half 2003. This will benefit Xiangyu by allowing access to clients with sixth generation container vessels and through the expansion of capacity to serve large shipping lines. In addition, the efficiencies and competitive benefits of the merger will improve profitability.

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

Huijian (Berths No. 13-14) will benefit from the merger agreement entered into with Xiangyu (Berth No. 12) and Xiangyu Free Port (Berths No. 15-16). As Berths No. 12 through 16 will be owned and operated by the same entity after the merger, the efficiency of these berths will be enhanced considerably. Profitability will improve through centralisation of functions, elimination of duplicate construction projects and new economies of scale.

Due to its strategic location within Xiamen Free Trade Zone, Huijian has a distinct advantage over its competitors. The merger will better utilise the competitive edge of the Chinese partner to expand the business. This will provide PPC with a better platform to enhance and upgrade various aspects of its operations.

To meet demand for container handling facilities created by throughput growth, Huijian modified Berth No.14 from a multi-purpose berth into a container berth. Over the year, construction work for the quay structure of Berth No.14 was completed. Meanwhile, construction work for the terminal yard of Berth No.14 will commence soon and is expected to be completed in mid-2003. Construction of the gatehouse and warehouse started in September 2001 and will be completed in late 2002.

**Outlook**

After the completion of channel dredging at Xiangyu and Huijian, Berths No.13 and 14 will join Berth No. 12 in handling sixth generation container vessels. With completion of the Xiangyu, Huijian and Xiangyu Free Port merger, operating efficiency and productivity of Berths No. 12 to 16 will be enhanced and profitability increased.

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:	500,000 TEUs p.a.
Location:	Xiangyu Free Trade Zone, Xiamen, PRC
Operation date:	Second half 2002
Expiry date:	December 2045



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

PPCs 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

**For 12 months  
ended 30 June**

Throughput achieved (cargo consolidation) (TEUs):	2002	2001	2000
	11,325	13,752	8,396

\* 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.

The global downturn in the shipping industry had a negative effect on Xinyuan's cargo handling, container storage and lifting business in FY2002. Cargo consolidation volume dropped by 18% to 11,325 TEUs this year. The results were offset by an increase in container repair work and other container depot services. Total Xinyuan revenue decreased 6% over FY2001 to RMB9.2 million.

Xinyuan constructed a new single-storey warehouse (1,800 sq.m.), which came into use in April 2002 to improve competitiveness. In addition, Xinyuan acquired more operating equipment in February 2002, including one container stacker and two forklifts, to support productivity and efficiency gains.

**Outlook**

The business climate will remain competitive in the coming year. Generally, Xinyuan will expand its client base through affiliates Xiangyu and WPZ. To strengthen its market position, Xinyuan is studying plans to expand existing operations by leasing additional land for empty container storage. More equipment will be acquired to facilitate expansion.

**Xiamen New World Xiangyu Warehouse & Processing Zone Limited**

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

**For 12 months  
ended 30 June**

Yearly average occupancy rate	2002	2001	2000
	79%	89%	86%

**Xiamen New World Xiangyu Warehouse & Processing Zone Limited ("WPZ")**

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

WPZ's revenue decreased to RMB2.7 million in FY2002, down 4% from FY2001. The average occupancy rate fell to 79% in FY2002 from 89% in the previous year. The drop in revenue and occupancy rates is mainly attributed to non-renewal of some existing rental contracts to make room for the development of an advanced warehousing and logistics centre.

**Outlook**

WPZ continues to forge ahead in the development of a state-of-the-art regional logistics and distribution centre. Currently, management is evaluating a plan to develop WPZ into an advanced warehousing and logistics centre with potential partners.

### SUZHOU PROJECT

Suzhou became one of the first coastal Open Economic Zones in the early 1980s. Since then, Suzhou has transformed into an East China industrial centre that enjoys a prosperous economy. The industrial output of Suzhou for 2001 totalled RMB411.4 billion, a 14% increase over 2000. Suzhou's GDP reached RMB176 billion in 2001, a 14% increase over 2000.

The major industrial sectors housed in Suzhou include machinery, electronics, chemical products, pharmaceuticals, metalwork, silk, textile, construction materials and food processing. In keeping with sweeping technology innovation, Suzhou has developed advanced products in such fields as electromechanical integration and bio-pharmaceuticals.

Suzhou is a river transportation link located 100 km west of Shanghai on the Yangtze River Delta. There are two economic and technology zones: Suzhou Hi-Tech Industrial Development Zone, also known as Suzhou New Development Zone, and Suzhou Industrial Park, a co-operative project between China and Singapore. Suzhou has plans for an international industrial park which will support its goal of creating a high-tech city. Dedicated efforts are paying off as Suzhou has attracted renowned foreign enterprises, including Nokia, Sony, Nabisco, Siemens and Royal Dutch/Shell Group.

The growth of Shanghai benefits Suzhou. In 2001, the State Council approved the construction of the largest PRC container terminal on the islands of Da Yang Shan and Xiao Yang Shan next to Shanghai. The terminal will be constructed over four phases, starting from 2002 and completed by 2020. Phase I is composed of five berths and should be finished in 2005.

As part of this plan, Shanghai will improve cargo flows from Suzhou through river waterways. As a result, there will be much more demand for water transportation and logistics services. Suzhou will be one of the river ports that benefit most from improved inland transportation and the ongoing development of these deep-water container terminals.





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

Huisu is a river port in Suzhou located next to two industrial zones and the Beijing-Hangzhou Grand Canal. Taking advantage of this prime location, management plans to develop Huisu as a multi-purpose facility handling containers and general cargo. In October 2001, the relevant PRC government authority approved PPC's acquisition of an additional 20% interest in Huisu from its Chinese partner. With this acquisition, PPC's management control over Huisu is strengthened, enabling improved operational and marketing efficiency. Huisu's contribution to PPC over the long term should be enhanced.

Currently, Huisu's primary activity is the provision of trucking services. With the acquisition of three tractors and four sets of chassis in second half 2001, trucking operations have been improved. In late 2001, Huisu conducted a three-month trial shipment of domestic cargo through waterways between Suzhou and Shanghai in co-operation with a PRC shipping company. Huisu began warehouse leasing operations in FY2002 to diversify its business and has become a container depot for Orient Overseas Container Line (China) Co., Ltd.

**Outlook**

Huisu has devoted resources to improve profitability and efficiency in addition to soliciting clients for trucking, warehouse leasing and container depot services. Presently, co-operation plans with other shipping lines are under study to further develop the water transportation business. Management is also evaluating the feasibility of converting Huisu into a customs-approved terminal and upgrading its facilities next year. In view of an increased demand for logistics services from enterprises housed in the industrial zones, Huisu is positioned as a leading freight operator in the provision of logistics services as a result of its solid experience.

Suzhou Huisu International Container Freight Wharfs Co., Ltd.	
PPC's attributable interest:	75%
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) 4th quarter of 2002 (terminal operation)
Expiry date:	December 2025

