1969 -

2004

Contents

Company Profile

On October 7, 2004 HIT celebrated a 100-day milestone when average quay crane productivity surpassed 35 moves an hour, a record set in its 35th anniversary year. Over the past three and a half decades, the company has grown into the largest container handling facility in the world's busiest container port.

Marking our 35th birthday, this 2004 Yearbook not only logs the important advances achieved along the way but looks behind the facts and figures. We hear from the people who have made HIT what it is. Their stories are not just the stories of a single company but in many ways, chart Hong Kong's story.

Trade has been the very cornerstone of Hong Kong's success. In dynastic days, the inhabitants of this corner of the southern China coast were renowned adventurers and seasoned travellers. The Chinese diaspora was until very recently primarily a Cantonese diaspora. Today, Hong Kong companies are China's leading multinationals, as comfortable operating in the mainland as in nations half a world away.

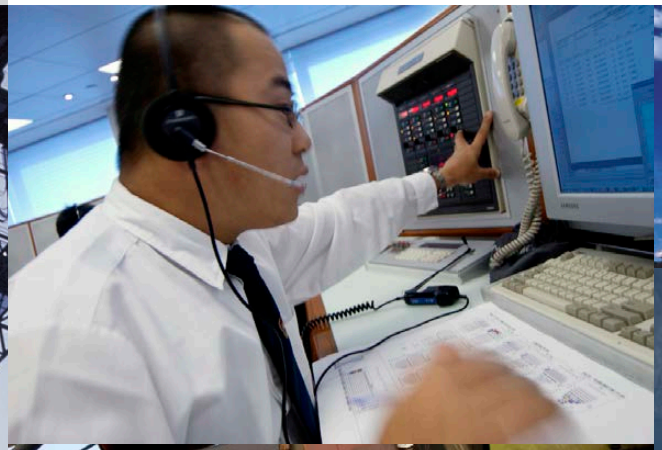
HIT is a case in point. From its base in Hong Kong, it has evolved into a globe-spanning entity operating 214 berths in 36 ports worldwide. Innovations, some forced upon HIT by Hong Kong's chronic shortage of space, others the result of creative research and development, have been exported throughout the Group. Modern management techniques, attention to customer needs and award-winning IT breakthroughs have transformed a scattered clutch of low-tech container-shuffling yards to a series of state-of-the-art facilities along the Kwai Chung waterfront.

Satellite-based Global Positioning Systems technology is harnessed to stack, locate and control boxes in its yard, enabling HIT to stack high and make maximum use of Hong Kong's scarce land supply. Internet technology connects almost every aspect of the art of container handling, giving HIT and its customers 24/7 access to the logistics process. HIT's newest terminal management system nGen, standing for Next Generation Terminal Management System and developed in-house, is the brain centre of all this. Once implemented in early 2005, the system will speed up crane loading and unloading movements and ensure ship-to-shore movements are synchronized with those of internal tractors.

HIT now operates 12 berths at container terminals 4, 6, 7 and 9 and another two berths in conjunction with COSCO Pacific at COSCO-HIT. Sister companies operate 49 barge terminals at Hong Kong's River Trade Terminal, servicing the production centres of China's Pearl River Delta. In addition, HIT runs 10 barge berths and a fleet of barges under the auspices of the Group's mid-stream operator, Asia Port Services.

But all this equipment would mean nothing if it was not for the human talent that is the core of HIT. The company employs 1,500 people dedicated to honing the competitive advantage provided to our customers and to systematically developing ever-improving additional ancillary services in our quest to lead the port development, operations and logistics services industry.


MITSUI-PACECO PORTAINER

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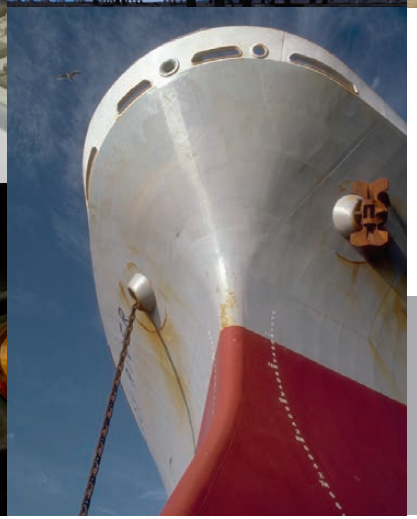

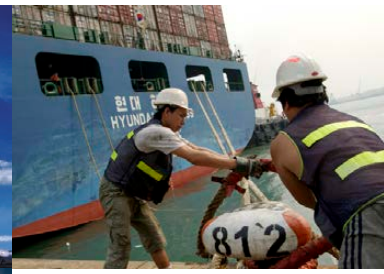
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Message from the Chief Executive

It gives me a great deal of personal and professional pleasure to pen this foreword to HIT's 35th anniversary yearbook. I am proud to have been a part of a team whose efforts have made HIT what it is today and have also contributed in a major way to both the success of Hong Kong and to the evolution of the logistics industry worldwide.

Little did any of us realise back in HIT's fledgling days, when a containership with a capacity of 600 boxes was considered a giant and unloading six boxes an hour was considered fast, what would eventually prevail. Currently container vessel capacity has surpassed 8,500 TEU, and HIT this year managed to maintain an average box-handling rate of 35 containers an hour for over 100 days. As a result, ship turnarounds are being measured in ever decreasing hourly increments to an extent that we are regarded as a "catch-up" port – a port where time lost elsewhere on the voyage can be made up.

Nor did we have much of an inkling that many of our innovations would change the face of the industry. Today, HIT continues to lead the field in yard marshalling innovation, technological breakthroughs and now, security measures. The techniques and expertise we have built up, some of them forced upon us by space and size constraints, others embraced by us as a result of listening to the wishes of our customers, have been exported worldwide and are now considered standard operating procedures.

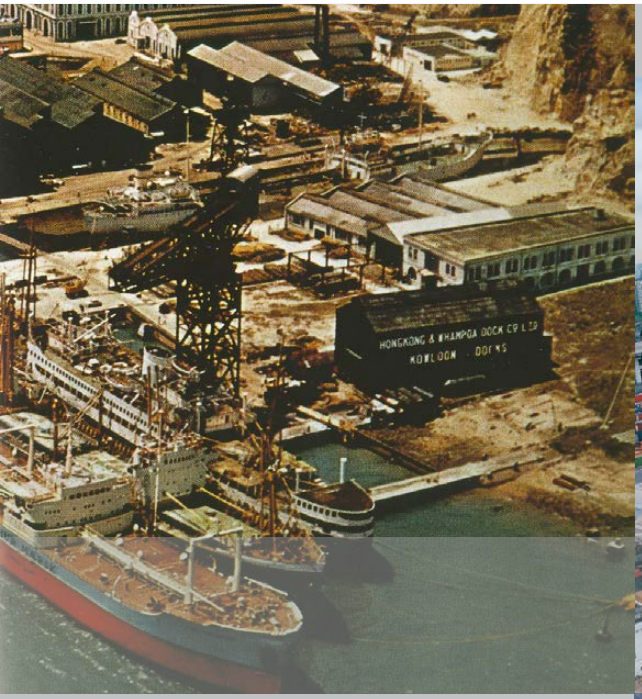
We are fortunate in our location. HIT and Hong Kong have benefited greatly from simple geography which places us firmly in the ambit of China's fastest growing region. But even more importantly, the advantages we have enjoyed from exporting our know-how and services into southern China and throughout the Group's global network of ports.

The emergence of the Pearl River Delta as an industrial and manufacturing centre of world status is due to the energy, ability and foresight of entrepreneurs. We at HIT have played an important role in this development, as the premier logistics hub for southern China and the incubator for technological advances.

None of this would have been possible without the unfailing support of our customers and shareholders, the commitment of Government of the Hong Kong Special Administrative Region to providing a framework in which free enterprise can thrive and last, but perhaps most importantly, the dedication of the men and women of HIT. May the next 35 years prove even more fruitful.

– John Meredith

Hongkong & Whampoa Dock Co. Ltd. Kowloon Docks 1969



View of Container Terminals 4 and 6

North Point Wharves early 1970s

Message

from the Managing Director

After 35 years, HIT, the flagship of Hutchison Port Holdings, proudly retains its position as a world leader in container-handling. Competition has become keener, yet we continue on a positive and progressive up-trend. Indeed, our 35th year is a record year in terms of both throughput and productivity.

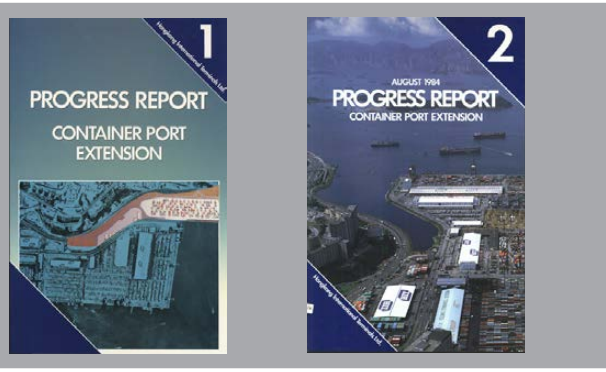
Operations

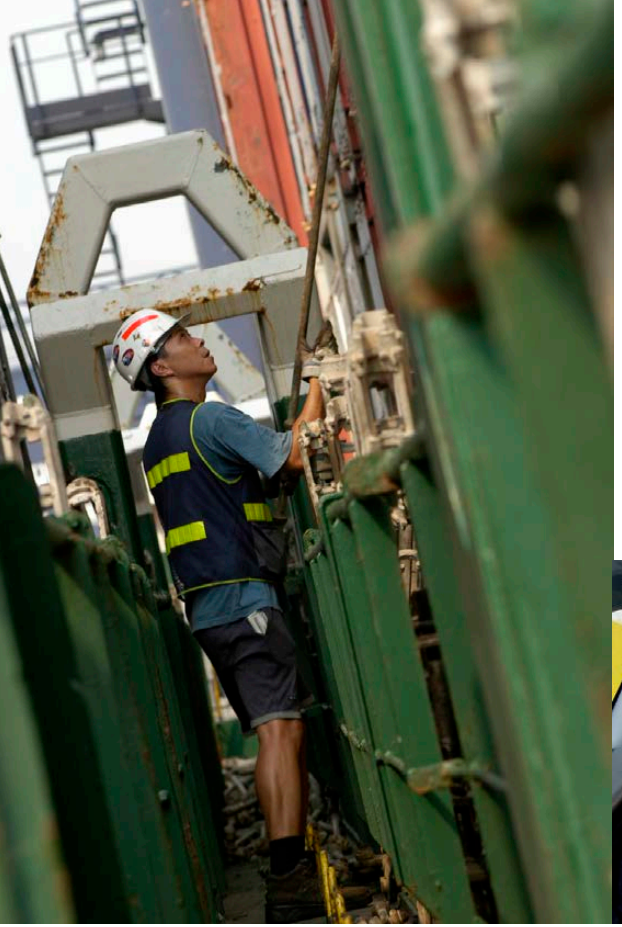
With a new customer and growing transhipment traffic, the amount of containers handled by HIT this year has surpassed all previous levels. In terms of productivity, we have achieved and sustained 35 crane moves per hour for more than 100 days.

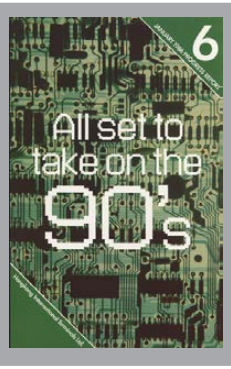
Not only have we consistently achieved this remarkable level of productivity, but we have been able to do so without having to significantly invest in equipment or infrastructure. We achieved this goal through our commitment to continual improvement.

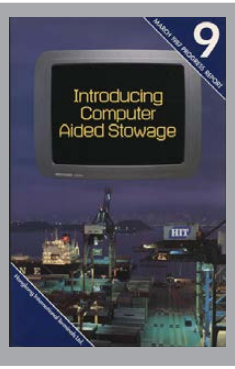
This attitude works across the company, from department to department, and has always been part of HIT's can-do mind-set. At a time when competition across the region and around the world is increasing, such a philosophy is vital to future growth.

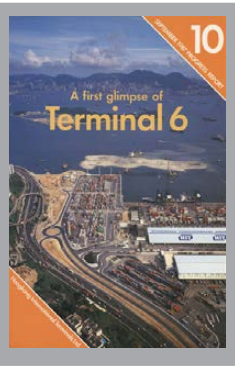
In terms of business, the completion











of our second berth at CT9 has increased our facilities to 14 berths. As the face of container-handling changes in the region, we have diligently pursued more international transhipment cargo for Hong Kong. CT9 has given us adequate capacity for the anticipated throughput growth over the next decade.

Our efforts have been recognized in the shape of several industry awards, including the first ever Transport and Logistics Award from The Chartered Institute of Logistics & Transport – Hong Kong.

Outlook

With greater competition and increased capacity, Hong Kong's growth rate will be limited to low single digits in the future; in fact, I envisage an over-supply in capacity.

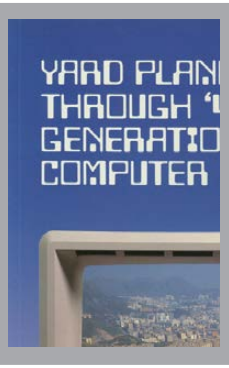
Therefore, we must strive to enhance our advantages, we must do better for our customers and we must be more pro-active to ensure our customers' needs are met.

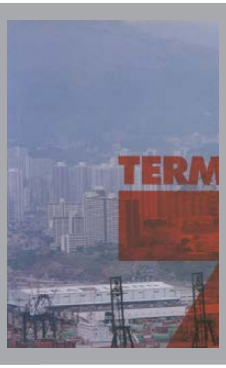
Bigger boxships are being introduced so we must beef up our equipment to cope with the increased tonnage. We also need to deal with inherent problems in Hong Kong which have impaired the port's competitiveness.

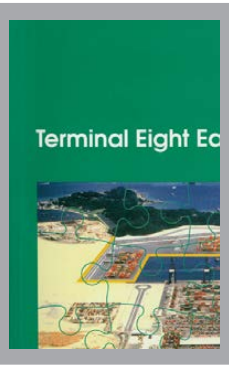
As a key player in the logistics industry, HIT has an important role in working with other industry players and government agencies in enhancing the connectivity of the region and the flow of containers moving through Hong Kong. We must enhance integration to our hinterlands, that is southern China and the Pearl River Delta.

Internally, we have strengthened links with our sister ports in southern China, in terms of both people and systems. HIT continues to serve as a centre of excellence forming a valuable talent pool for the Group. Enhancing our corporate culture, we have also launched the F.O.R campaign for southern China – Friendly, Open and Results-driven.

As HIT enters its 36th year we will strive to maintain and build on our reputation for being an industry leader. That reputation comes down to the people who make up HIT, and I would like to extend my heartfelt thanks to all who have been a part of the HIT family during the past 35 years. Thank you for your efforts and your dedication.
– Eric Ip







2004 Milestones

80 millionth TEU

On 10th June HIT handled its 80 millionth container since commencing operations 35 years ago. Said HIT Managing Director Eric Ip: "As one of the world's most efficient container terminal operators, HIT prides itself in offering value-added services and unparalleled productivity. This historic throughput milestone was achieved through the close relationships with our customers and the tireless efforts of our employees."

The 80 millionth container was discharged from the vessel YM March during a quayside ceremony attended by executives from HIT and Yang Ming Marine. President of Yang Ming Marine Transport Corporation, W. H. Huang, said on the day: "One of the major driving forces for the continuing success of Yang Ming Marine Transport Corporation is strong relationships. With the high level of connectivity to ports around the world, HIT is a natural choice for us."

100 days of 35 moves an hour

During 2004, HIT dramatically upped its productivity rate, surpassing 35 crane moves an hour, and 7th October marked the day that HIT celebrated maintaining this rate for a total of 100 days.

At a quayside ceremony to mark the achievement, HIT Managing Director Eric Ip said: "As container ships grow in size, so does the demand for speedy service to keep turnaround times at a minimum. Addressing this challenge, HIT has put much effort into increasing productivity, through improved efficiency and enhanced facilities. Much credit goes to the hard work of HIT staff and contractors who made this achievement possible."

He added that while this achievement was a milestone for HIT, it was not a destination, and the company would continue to enhance its services to provide the reliable, consistent service to customers.

World's biggest container ship

On 13th July the world's largest container vessel, the CSCL Asia made its maiden call at HIT. The humongous ship 334 metres long, 42.8 metres wide holds 8,500 TEU and can reach speeds of more than 25 knots.

The CSCL Asia, which is one of five ships being acquired by CSCL as part of their expansion plans, berthed at Kwai Chung on its maiden voyage from the Far East to the US. It was greeted by a marching band, fireworks and hundreds of onlookers eager to see such a leviathan of a ship.

During the welcoming ceremony, Chairman of CSCL Li Kelin said: "CSCL is committed to enhancing the structure of its fleet by introducing new vessels with larger capacity, faster speed and increased efficiency." HIT Managing Director Eric Ip replied: "HIT is striving to ensure our facilities and productivity levels are sufficient to handle the new generation of mega vessels. Investing in world class facilities and the latest in IT systems, HIT continues to offer unmatched connectivity and efficiency."

HIT receives Transport & Logistics Award

This year, HIT became the first ever recipient of a new award given by the Chartered Institute of Logistics and Transport in Hong Kong (CILTHK). CILTHK initiated the award, which will be given annually, with the aim of recognizing professional excellence and promoting the image of the transport and logistics industry.

CILTHK said that giving the first award to HIT was "a prestigious recognition of the winner's valuable contribution to the development of Hong Kong's logistics and transport."

In order to be considered for the award, companies have to demonstrate a tangible contribution to Hong Kong's economy; innovation and originality, particularly in the use of information technology; a commitment to protecting the environment; promotion of sustainable development; improvement of people's livelihoods and standard of living; and enhancement of Hong Kong's reputation abroad.

The award was presented at the CILTHK Annual Ball and Dinner in October.

Finalist in Edelman Awards

In July, HIT was recognised as one of seven finalists in the prestigious Edelman Award for Management Science Achievement, widely recognised as the "Technology World Series".

The purpose of the Edelman Competition, organised by the Institute for Operations Research and Management Sciences (INFORMS) and the Massachusetts Institute of Technology (MIT), is to recognize and reward outstanding examples of management science and operations research in practice. HIT was recognised for utilising Operations Research (OR) techniques, to implement the Decision Support System (DSS), the foundation of the terminal's management system.

Implementation of the DSS, enabled HIT to increase capacity by 50% and reduce the unproductive movement of equipment. More importantly, HIT increased efficiency simply by using its existing assets and equipment more efficiently, without having to spend time and money building more facilities.

Said HIT Managing Director Eric Ip: "HIT has always put our efforts behind operation innovation to deliver superior service to customers. The large gain in our service capacity without construction of more terminals is a hallmark for the environment and our shareholders."

Second berth at CT9

In August HIT's second berth at Container Terminal 9 opened, providing the company with extra capacity and greater flexibility to serve customers now and in the future.

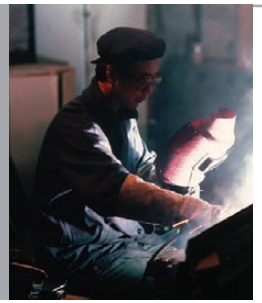
The completion of CT9 has further increased HIT's ability to offer customers the value-added services they demand. HIT has installed select equipment supported by the most appropriate operation systems available and has initially equipped its two berths at CT9 with nine quay cranes and 32 Rubber Tyred Gantry Cranes. With CT9, HIT now possesses an even greater number of berths capable of handling the next generation of container vessels.

MADE BY

Hong Kong IN THE Pearl River Delta

Thirty-five years ago, when the Hong Kong government passed laws giving workers one day off each week, union leaders objected. Not because a single rest day was deemed insufficient but because it cut into people's opportunities to earn!

The 1960s and 1970s were Hong Kong's industrial heyday. Entrepreneurs were said to possess the skill to "turn on a sixpence" such was their ability to sniff out the next must-have item and re-tool to fulfil international orders almost overnight. Plastics, textiles, electronics, toys and wigs flowed out



of Hong Kong's myriad tiny factories. Hours were long and conditions tough, but wages rose exponentially. In 1960, unskilled workers could expect to earn as little as $3 a day. Skilled workers would take home between $8 and $18. The Pearl River Delta (PRD) was regarded in Hong Kong primarily as a source of cheap labour and foodstuffs.

Two decades later, in 1980, the daily wage was $50 and the manufacturing workforce had risen to 892,140 from 230,000 in 1960. The cargoes filling the boxes flowing through HIT were still made in Hong Kong. Two decades on from that, in 2000, the number of people in the manufacturing sector in Hong Kong had shrunk to 1960s levels but daily pay levels had risen to about $340 on a par with many industrialised nations. However, the cargoes filling the boxes were primarily made in China, most of them in factories in the Pearl River Delta. Hong Kong had made the transition from underdeveloped to developed economic status. As the Pearl River Delta's economy has grown in recent years, so has Hong Kong's.

The key date for this quantum change was 1978. In that year, Deng Xiaoping's open-door policy came into force. Arguing that it did not matter whether the cat was black or white as long as it caught mice, China's late paramount leader articulated his vision of socialism with Chinese characteristics.

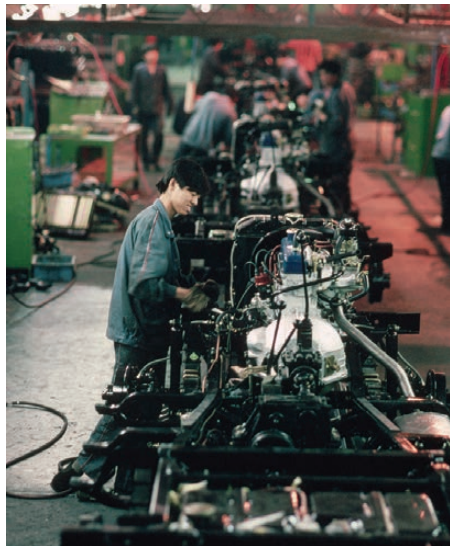
Special Economic Zones (SEZs) were set up in Shenzhen and Zhuhai, just over the border from Hong Kong and Macau respectively. It did not take long for Hong Kong's canny entrepreneurs to seize the opportunities offered first by the SEZs and then throughout the Pearl River Delta. Gleaming malls, factory campuses and deluxe housing estates soon began to encroach on rice paddies and lychee orchards. Today, an estimated 63,000 Hong Kong enterprises own and manage production facilities in the Delta employing nearly 11 million people – 58 times the size of Hong Kong's own manufacturing workforce.

As the US Department of Commerce puts it: "Products formerly known around the world as 'Made in Hong Kong' could now rightly be marked 'Made by Hong Kong'."

That's because of the synergy underlying the Hong Kong-PRD relationship where the assembly of goods takes place in the PRD leaving Hong Kong's well-educated workforce free to concentrate on high value-added (and higher-paying) elements, such as management, design, quality control, finance and, of course, container handling and logistics.

Having evolved into China's largest export base, accounting for some 35 per cent of the mainland's exports, the Pearl River Delta is emerging as a market in its own right. Its nearly 24 million

Today, an estimated 63,000 Hong Kong enterprises own and manage production facilities in the Delta employing nearly 11 million people –



permanent residents (the figure excludes migrant workers) had an annual per capita income close to US$3,800 in 2002, the most recent figures available, among the highest in the mainland. The trend is likely to increase with the advent of CEPA, the Closer Economic Partnership, which is further opening up China's markets to Hong Kong companies, particularly in the realms

58 times the size of Hong Kong's own manufacturing workforce.

of finance, convention and exhibitions, accounting, legal, distribution and tourism.

Physically, too, Hong Kong and the PRD are growing more integrated. Plans are afoot for a Shenzhen Western Corridor, a five-kilometre bridge from Tuen Mun to Dongjiaotou, a new logistics centre at the Shenzhen airport and a light rail connecting Shenzhen and Guangzhou. This bodes well for future development. The PRD is already home to the two most efficient deepsea ports in the country – Hong Kong and Yantian. It has more international air cargo and air transport capacity than anywhere else in China. The trends indicate that the Greater Pearl River Delta region is well placed to remain one of the world's most dynamic economies.

A Different World

In 2004, HIT's parent company further expanded its international operations with development projects around the globe. This current global reach was unthinkable back in 1972 when John Meredith arrived to take up his post as Chief Executive of the Hong Kong & Whampoa Dock Company.

Container-handling operations at the company, a precursor to HIT, had begun three years earlier in 1969, but were confined to a tiny pocket of land on the edge of the company's vast shipyard complex at Hung Hom. Relegated to the margins and warned not to interfere with the company's lucrative core ship and rig repair and modification business, Mr Meredith and his colleagues working in the new-fangled container business were left in no doubt they occupied a place well down the pecking order.

True, the Dock Company had developed a new stream of business – converting cargo ships to enable them to carry containers, but even so, back then few people believed containerisation would balloon into the global behemoth it is today, nor that HIT would stand at the nerve centre of the world's largest terminal operation.

Yet three-and-a-half decades later,

Whampoa Dock 1969

North Point container operations 1972

Hong Kong's once mighty shipyards lie buried and almost forgotten underfoot at North Point, Whampoa Gardens and the Harbour Plaza Hotel (although a cheese wedge-shaped piece of land resulting from a late expansion of the berth remains near the hotel). HIT on the other hand has become a Hong Kong icon. As everyone even remotely associated with HIT knows, the company is the largest terminal operator in the world's busiest container port.

Looking back, Mr Meredith says it has been an interesting voyage, not all of it smooth sailing. HIT can trace its cargo-handling roots back to 1969. At the time, Whampoa Terminals Limited and North Point Wharves Limited were both early entrants into the container-handling industry. It was not long before their operations were merged under the single banner of HIT.

In the early days, the company had a minority stake in Terminal 1. Following the bankruptcy of the original developer, the Oyama Shipping Group of Japan, it collected a holding in Terminal 2. Both were later rationalised. Meanwhile, it was busy developing its own terminal – Terminal 4. For Mr Meredith and his team, T4's emergence from the seabed off the village of Ha Kwai Chung in 1976 came right at the wrong time. Kaohsiung Port had pipped them to the post and was making the most of its early lead by aggressively signing up shipping lines.

"We had this airfield (of a site) and no business," Mr Meredith recalls. "Luckily for us, we were saved by a typhoon. Two typhoons, in fact." The first shut down Kaohsiung port and the second battered number two

Three-and-a-half decades later, Hong Kong's once mighty shipyards lie buried and almost forgotten u

Whampoa Terminals in Kwai Chung 1974

port, Keelung, into submission. It took almost 18 months to recover, but enabled HIT to step nimbly into the breach.

Back in those days, and by the standards of the time, Hong Kong's practices appeared unusual if not downright eccentric. Space, or rather the lack of it, was and remains an issue. And Hong Kong's insistence on private sector participation in its port was an anomaly in a business where state ownership was the norm. Yet these were perhaps the two main factors underpinning HIT's subsequent success.

pessimists had shed many of their early reservations about containerisation. Even Mr Meredith, then with P&O, had initially had doubts when he was first seconded to the Port of London docks to investigate the pros and cons of the box trade. "All those cans of empty air," he recalls. He wondered why anyone would pay to transport empty boxes. And then there were certain goods that did not seem likely candidates for container transportation – cars, rubber and foodstuffs for example.

Technology has taken care of the

nderfoot at North Point, Whampoa Gardens and the Harbour Plaza Hotel. HIT on the other hand has become a Hong Kong icon

Forced to innovate to maximise productivity at its pocket handkerchief-sized yards, HIT stacked – and still stacks – higher than the norm and has developed sophisticated automated systems to track and store boxes.

By the 1970s, the most die-hard

packing conundrum. Looking back on the 1970s, Mr Meredith can laugh about his early doubts. "What I had underestimated was the costs of leaving a ship sitting in port for seven days or more, much more on occasions."

Not only did boxes prove more

efficient, they proved more secure and they grossly simplified transport cost structures. As a sea-going Master, Mr Meredith was well-acquainted with the problems of dockside thievery and the complicated tariffs that made it virtually impossible to estimate transportation costs.

"There was Embarrassment Money," he says. Dockers were entitled to all sorts of extra allowances. Embarrassment Money, for example, was payable when stevedores had to handle so-called "rude" cargoes such as lavatory seats or sanitary towels. There was "Dirt Money", "Stoop Money" and a "Wash Night Allowance", extra levies payable in certain circumstances according to complicated formulae.

Theft was a major problem at docksides. Entire crates of valuable goods often disappeared en route from shore to ship and ship to shore. Mr Meredith remembers the time when Australia, deciding to withdraw its silver coinage from circulation and melt it down, packed hundreds of thousands of silver coins into barrels for transportation to the smelter. A decision to hide them in plain sight by labelling the barrels "scrap metal" backfired when rough handling by a billhook-wielding wharfie exposed the contents. Much of it promptly disappeared. Australian slot machine owners had a field day but Mr Meredith, as Captain, had to carry the can.

Containers meant an instant and extensive security upgrade. They led to turnaround times measured in hours rather than days. But in this post-9/11 world, the need to monitor the contents of closed boxes is imperative. Until recently, a simple seal was the principal safeguard, but the industry has now come full circle, Mr Meredith says. It has to protect the contents of the boxes – and the boxes themselves – from evil intent.

HPH Group Managing Director John Meredith (right) received the Hall of Fame Award at Lloyd's FTB Asia Logistics Awards 2002

Mr Meredith is a founder member of the Strategic Council on Security

This is where HIT's private sector status has again proved an advantage. Unlike state-funded ports, the Group is free to raise its own financing and set its own investment and development agenda. Not only has this underwritten its ability to expand worldwide, it also permits the Group to move fast. One result is that HPH ports, unlike many state-funded facilities, are equipped with the latest cutting-edge equipment and techniques. Another is that HPH has become a leader in the development and implementation of new global security initiatives.

Mr Meredith, for example, is a founder member of the Strategic Council on Security Technology, a Washington DC-based global advisory body on supply chain security. HPH ports have been at the vanguard of

HIT's Tower 2 1984

Technology, a Washington DC-based global advisory body on supply chain security

experimenting with systems such as radio frequency identification (RFID) tags, electronic seals and secure electronic information exchange (EIE) platforms, technology that not only secures trade but also has a useful side-effect: it enables customers to track the whereabouts of their cargoes and monitor conditions inside the box for temperature, humidity and anything else likely to affect their goods.

It's a world away from those early days of the late 60s and early 70s when a converted general cargo ship was considered state of the art. When men had to shove boxes the last few yards into the tween decks of ordinary breakbulk vessels and shackle them by hand.

But then, few could ever imagine the growth and expansion, let alone the extent of globalisation, of world trade.

Technology Triumphs

Take a good look at the photos of HIT operations taken in the past year and then contrast them with those dating back three decades or so. True, buildings were lower and ships smaller. But the real difference is human. Or more specifically, the absence of humans on the quayside. Today, the people power is located high above the quayside, perched inside the crane cabins, or located behind computer monitors inside the control tower. The

old pictures of men swarming over and under boxes in the container yard belong to a bygone age.

Back in 1969 when container handling began in Hong Kong, muscle power, ordinary building cranes and pen and paper kept boxes and ships moving. Huge responsibilities lay on the shoulders of HIT's army of tallymen who manually charted the movement and whereabouts of every box in yards where space limitations required operators to pile them high.

Hong Kong remains space-strapped and still stacks higher than others. The difference now though, is a balance of people and automation. "It's no longer just a labour-based business," says Edmond Leung, HIT General Manager - Operations Development. The roll-out of nGen scheduled for early 2005 underlines just how far HIT has progressed.

With the implementation of nGen, microprocessors track boxes at HIT. Indeed, nGen will control the entire scope of the terminal operations (ship and yard planning, gate operations, vessel operations and interactions, yard configuration and performance, overall operations monitoring, equipment utilisation, productivity and cost optimisation). With extensive experience and powerful algorithms embedded in many different operating environments, nGen is able to offer the best automated operating processes. Interactive and community-based systems allow customers – shipping lines, shippers, forwarders and truckers – remote access and greater control of the supply chain, again on a 24/7 basis inter-operable through internet technology. In fact, there's hardly a process at HIT that has not been touched by computer systems and other related automation.

Edmond is hunched over his laptop in an office filled with research papers and reports as he mulls over a video of trials of a new generation of quay cranes under production in Shanghai.

Remarkably the spreaders are capable of simultaneously handling two 40-foot containers. Although the operator is still feeling his way and the movements are yet to be perfected, it is still a quantum leap forward in crane manufacturing technology. Edmond is thoughtfully weighing up the consequences of possible deployment at HPH ports. Can the foundations underpinning existing terminal quays cope? What does it mean for yard and vessel operations? Tractor deployments? Is there enough space alongside to accommodate the megaships these cranes will serve?

Meanwhile, HIT's computer system now consists of eight CPU (Central Processing Units) humming away round the clock. It is no coincidence that HIT was recognised as a finalist for the prestigious 2004 Franz Edelman Award, one of the highest recognitions for Management Science Achievement. The Edelman Awards, also known as the "Tech World Series" recognised the achievements of HIT in developing the 3P Terminal Management System. The team, led by Edmond, focused on minimising the time spent at the terminal by customers by improving handling rates with regard to truck turnaround times, quay crane rates and vessel turnaround times. Yet 3P is now history – it's successor, nGen, the successor to 3P, is already in place and operational in Yantian across the

border and Edmond's team is busy refining its intelligent components.

When pressed to identify the key technological changes in the industry over the past 35 years, Edmond's choices are the adoption of rail-mounted gantry cranes in 1996 as the major equipment milestone; the IT-intensive Productivity Plus Programme as the major high-tech milestone; and the "mindset change" of seamless integration with the shipping industry in the late 1990s as the key management milestone.

Today, he is excited about Java. Java is one of the most versatile and widely accepted computing languages; it is able to run across multiple platforms (platform-neutral) providing maximum reach to everyone, everywhere, every time, to every device and offering a single, unifying programming model that can connect all elements of a business infrastructure together. One of the key benefits of Java has been the value of "Write Once, Run Anywhere" meaning lower total cost ownership of the systems. The Java platform provides the foundation for true mobility. The unique blend of mobility and security in Java technology makes it the ideal development and deployment vehicle for mobile and wireless solutions that the container terminal business thrives upon. Using Java, nGen is totally "scalable" – computer nomenclature for a system that can be pared down to serve a local feeder terminal or beefed up to control operations in one of the world's biggest ports.

But how do these automated systems come into being? Through feedback from customers and our service delivery teams, says Edmond. The Operations Development team's remit is to solicit inputs, prepare detailed users' specifications and requirements, and develop the best-practised solutions on a consultancy basis. "Somewhere between 30 and 40 per cent of our work is outside Hong

Kong, working with other terminals in the HPH Group," says Edmond.

The benefit of such progress has been shared by HIT's customers. Eight years after its implementation in 1995, the terminals' Productivity Plus Programme (3P) remarkably reduced vessel turnaround time by 30 per cent, with a 47 per cent improvement in the vessel operating rate. The 3P initiative boosted the productivity of yard cranes by 15-20 per cent, while the productivity of quay cranes leapt 45 per cent.

When striving for innovation, no technology is ignored. The team uses 3D computer simulation modelling to simulate operations scenarios for terminal development, productivity improvement and wireless applications to control, track and trace box movements on land and quayside. HIT's home-grown Position Determination System deploys the latest global positioning technology to automate many crane functions and locate boxes to near perfect precision.

Thirty-five years ago in Hong Kong, invoices and orders were typed, punch cards represented the latest in technological innovation and customer contacts were conducted via telephone or office messenger travelling by road. The Mass Transit Railway had yet to be built. The fax machine had been invented, but was an undreamed-of luxury. Telex and electric typewriters were considered state of the art.

But in HIT's short lifetime, the world's container fleet has evolved in a series of leaps and bounds, requiring not only bigger and better equipment and more sophisticated technology but also a fresh management mindset. "Seamless integration – integrating the shipping community or, say, simply integrating along the supply chain is central," says Edmond. "It's no longer the case where we can insist our business is limited to moving boxes on and off ships docked alongside. We now focus on offering our customers

a wide range of value-adding ancillary services. In other words, the business focus has shifted from an economy of scale to an economy of scope."

In 1969, the only container vessels were converted from general cargo ships. The company serviced four vessels a month, carrying on average 100 containers. By 1973, it was handling 40,000 TEU and 205 ship visits annually – and had to work around the clock to service them. This year, about 6,000 ships called at HIT contributing to a record throughput. Productivity also achieved new heights with crane operators maintaining an average rate of 35 moves per hour for more than 100 days.

Consider that in the mid-1970s, the largest of that generation of vessels stood at around 2,000 TEU, while today the latest mega-vessels hold more than 8,000 boxes. And ships of 12,000, 15,000 and even 18,000 TEU are more than just gleams in the eyes of top naval architects. Here lies the technological challenge for HIT.

That is because there is a basic principle that remains unchanged and unchanging. Ships, whether the (relative) shrimps of the 1970s or the leviathans of today, must keep moving to be profitable. The greater the value of the cargo, the costlier the delay. This simple formula is and remains a constant and is the prime mover underwriting HIT's advances in technology and terminal management over three and a half decades.

On the Agenda

19 May 2004 Mr Zhang Chunxian, Minister of the Ministry of Communications, People's Republic of China

9 July 2004 His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, Prime Minister of the State of Kuwait

17 April 2004 Her Excellency Mrs Vaira Vike-Freiberga, President of the Republic of Latvia

(Top) 30 June 2003 Mr Wen Jiabao, Premier of State Council, People's Republic of China

(Above) 15 July 1992 His Excellency The Governor The Rt. Hon. Christopher Patten

30 June 1999 Mr Hu Jintao, Vice-President, People's Republic of China

14 June 1990 - Mr Zhu Rongji - Mayor of Shanghai

As the leading container terminal in the world's busiest container port, HIT has emerged as a Hong Kong icon. It has served as a backdrop much favoured by local and international film-makers, hosted a competition in the reality-TV series, the Amazing Race, and is high on the agenda as a must-see destination for VIP visitors to the HK SAR.

In 2004 alone, HIT laid out the welcome mat to 565 groups of visitors, totalling 5,048 guests from more than 40 nations.

(Above left) 14 September 1991 - The Rt. Hon. Margaret Thatcher O.M., PC., M.P.

(Above) 26 August 2003 His Excellency Ion Iliescu, President of Romania

(Left) 05 May 2004 Mr Eugenio Elorduy Walter, Governor of the State of Baja California, Mexico

Golf Day

HIT's annual Golf Outing and Cocktail Party once again proved ideal occasions for strengthening ties with our longstanding customers and associates and getting to know our new partners better.

Customer Cocktail

After

Hours

At HIT the philosophy is to work hard and to play hard too. That is why the company has a Sports and Recreation Committee dedicated to organiSing sports and social events to ensure that after hours, everyone has a chance to kick back and relax.

HIT's Sports and Recreation Committee is nothing if not busy, currently it oversees no fewer than 14 extra-curricula clubs – including yoga, Putonghua, squash, soccer, English, basketball, fishing, bowling, music and dance – and next year a tennis club is starting up too. The fact that 900 out of HIT's total of 1,500 staff belong to one or more clubs is testament to their value.

Says Chairman of the SRC Mr Che Kwan Poon, Container Yard Operations Manager: "The clubs are popular because they are a good way to meet

great for releasing stress and tension and unwinding at the end of a busy day."

Most of the clubs have inter-company tournaments as well as external competitions with other companies, mainly shipping lines. Competitively-speaking, HIT's two most successful clubs are the Bowling and Fishing ones. Each of these has the best records for winning external competitions.

lines, PCCW and Hutchison Whampoa.

Many of the clubs have changed with the times. For instance, the Dance Club is perpetually evolving to concentrate on whichever types of dance are popular at the time. Chairwoman Sylvia Cheng of Technical Services explains that over the years, members have learned "ballroom, salsa and jazz, while at the moment aerobics is popular at the club."

There are between 20 and 60

Indeed HIT clubs are not only about competition, some make a valuable contribution to the community too. In 2002 the HIT Community Caring Group (CCG) was formed with the aim of helping the disadvantaged in the Kwai Tsing and Tsuen Wan districts surrounding the terminal.

"The CCG focuses on two main areas," says Dillan Sum of HPH's Legal Department, "helping the mentally ill and assisting senior citizens who live

The fact that 900 out of HIT's total of 1,500 staff belong to one or more club is tes

people in other departments and to make friends. Working in a large company, you often pass people in the corridor or see them in the canteen, but don't have the time to get to know them – social clubs give you that chance.

"They are also useful for cultivating a team spirit at HIT, and instilling a sense of camaraderie and identity among members. The competitive edge is good for the company, and whether you take part in a sporting club or a recreational one, they are definitely

Esther Cheung from Finance & Administration is a long-standing fan of HIT's sports clubs having been a very active member of the Badminton Club since 1990. During that time she has acted as chairwoman and is now treasurer, as well as being a dedicated and skilled player.

The Badminton Club is one of the best attended clubs, boasting 95 members. Mr Poon believes people like it because competition in the club is keen, both for internal tournaments and in matches against other shipping

members at any one time, all keen to trip the light fantastic with the club's professional tutors. Most join just for fun or to keep fit, while Sylvia takes part in dance competitions outside the company. She regrets that the club does not have enough members to hold internal competitions. They do however, put on performances, usually at the annual dinner, and recently Dance Club members went to a community care centre in the Yan Chai Hospital to entertain elderly patients for an afternoon.

alone. We have joined hands with the Yan Chai Hospital Group to develop a mentoring programme whereby HIT staff volunteer to visit and befriend mentally ill patients. Recently too, a group of patients visited HIT and we had lunch with them."

For the senior citizens, CCG members are happy to literally roll up their sleeves and pitch in. They visit the homes of the elderly, spring clean their flats for them and help with household repairs. "We also help out the Tsuen Wan centre for the elderly which has

stament to their value.

a programme for giving out free rice each month. Most people go to the centre to collect the rice, but we help deliver the rice to the homes of those who can't," says Dillan.

Around 70 HIT staff participate in CCG's activities directly, while a lot more are involved indirectly. Back in 2002, these people gave so generously to a campaign for donations to fund the group's activities that they are still using the money raised.

Not only do HIT staff work hard and play hard, but they care too.

How times have changed

Kwai Chung earmarked by government as the site for the development of Hong Kong's first large-scale purpose built container terminal.

Berth and yard developed at Hung Hom for handling containerships and cargoes. The company was traded under the name Whampoa Terminals Limited. Container operations also established at Hong Kong and Whampoa Dock Company (HWD) facilities in North Point and Kwun Tong.

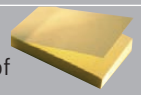
HIT granted the right to develop Kwai Chung Terminal 4.

1966 1967 1968 **1969** // 1970 **1971** 1972 **1973** **1974** 1975 **197**

APRANET, the forerunner to the Internet was first invented, as well as the automatic teller machine and the barcode scanner.

The VCR or videocassette recorder first appeared – the days of VCDs and DVDs were still a long way off.

1974 - Post-It notes, were invented and a new miracle of cosmetic surgery, liposuction.



Mobile phone, Dr Martin Cooper of Motorola, is considered the inventor of the first modern portable handset. Cooper made the first call on a portable cell phone in April 1973. Also in 1973, Bic disposable lighters appeared in shops for the first time.

Since 1969, HIT has seen many changes, from the company's move to Kwai Chung, to extensive overseas expansion to the introduction of ever more technologically sophisticated equipment. Of course over the past 35 years, the world has also changed a great deal. Thirty-five years ago, there were no video recorders (let alone DVDs!), no mobile phones, and medicines such as Prozac and Viagra were not even dreamed of. Take a look at how HIT and the world have progressed over 35 years.

HIT acquired Terminal 2 from Kowloon Container Warehouse. HIT Terminal 4 operations commenced.

HIT granted the right to develop Terminal 6. In return HIT relinquishes Terminal 2 to Modern Terminals.

6 1977 1978 **1979** // 1980 **1981** 1982 **1983** **1984** **1985**

Sony Walkman. According to Sony: "In 1979, an empire in personal portable entertainment . . . It began with the invention of the first cassette Walkman TPS-L2 that forever changed the way consumers listen to music. Also in 1979, the first cellular phones and rollerblades appeared.

IBM personal computer.

Cabbage Patch Kids became the hottest item on everyone's wish list, while computer programmer Jaron Lanier first coined the term "virtual reality".

Both the CD Rom and the Apple Macintosh first entered our lives.

Microsoft brings out its first Windows programme and Fuji launches the first disposable camera.

HIT handled 10 millionth TEU.

HIT Terminal 6 completed.
Terminal 2 handed over to MTL.

HIT annual throughput
reaches 1.9 million TEU.

HIT Terminal 7 completed. COSCO-HIT
Terminal 8 joint venture formed.

HIT annual throughput
reaches 2.9 million TEU.

HIT handles 20 millionth TEU.

COSCO-HIT becomes fully
operational. HIT launches HK$1.5
billion Productivity Plus Programme.

1986 1987 1988 1989 // 1990 1991 1992 1993 1994 1995

The digital cellular phone makes its
entrance, and inventor Ray Fuller
introduces the world to Prozac.

The World Wide Web/ Internet protocol
(HTTP) and WWW language (HTML) are
created by Tim Berners-Lee.

Java computer language invented, as
well as the first DVD (Digital Versatile
Disk, or Digital Video Disk).

HIT handles 30 millionth TEU. Highly automated Rail mounted gantry cranes (RMGs) arrive at HIT. Annual throughput of HIT reaches 5.3 million TEU.

HIT's 3P management system wins Smithsonian Award.
HIT handles 40 millionth TEU.

HIT offered the rights to build and operate two berths at Terminal 9.

HIT opens barge centre. HIT launches Customer Plus Programme. HIT signed land grant for Terminal 9. HIT handles 50 millionth TEU.

HIT handles 60 millionth TEU.

HIT handles 70 millionth TEU. HIT implements new phase of on-line customer service system, Customer Plus.

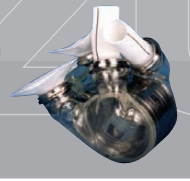
HIT launches new ship planning system Guider. HIT officially launches Terminal 9.

1996 1997 1998 1999 // 2000 2001 2002 2003 2004

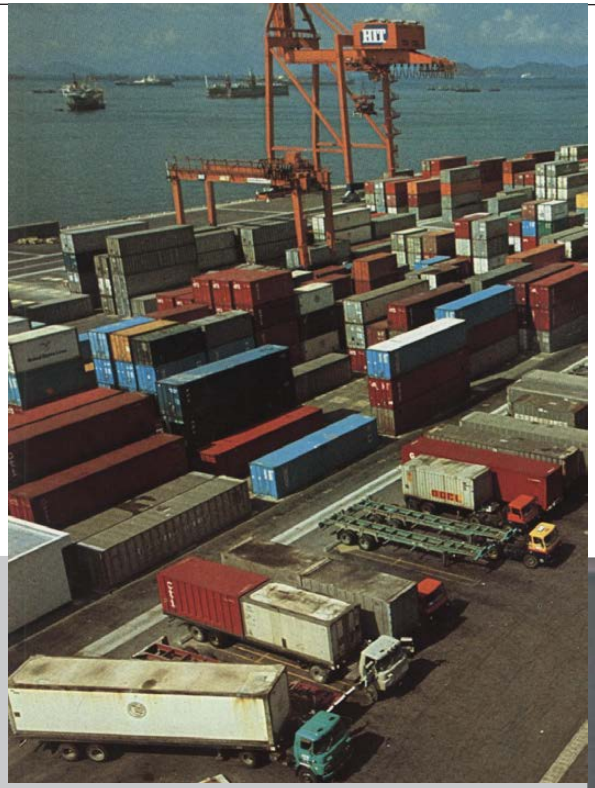
Viagra first attracted the world's attention.

The Segway, an electrically-powered personal transport device that uses five gyroscopes and a built-in computer to stay upright.

The AbioCor, an entirely self-contained artificial heart made of plastic and titanium and run on wireless batteries in a pack strapped to the patient's waist.



Toyota's Prius hybrid gas-electric car which parks itself, using a rear-mounted camera, power steering and special software that automatically guides the car backward into its kerbside destination.


HIT

Down Memory Lane ...

In its 35 years, HIT has had many long-serving members of staff. Ismail Bin ("IB") Kitchell is one of these, having been seconded to the Company in 1971 to be Terminal Manager in Hung Hom. By the time he retired in 1994, IB was General Manager of the Hongkong International Distribution Centre. Terminal 7 was complete and the development of Terminal 8 had commenced. During those 24 years, he helped implement many changes at the company and watched it grow into a giant. IB now lives in Toronto, but comes back to Hong Kong for two months each year to visit his son and daughter who still live here. Here, he shares some of his very fond memories of HIT.

"I joined the Company in 1971 after being seconded from the company I was working for which had signed a deal with HWD to start up container operations.

"I was seconded for two years to be Terminal Manager. Oddly enough, at that time I had to report to the Stores and Purchasing Manager of the dockyard. After the two years I decided to stay on with the Company.

"Back in 1971, container movements were not the slick operations they are today. We used makeshift equipment. There was no choice, we simply had to use whatever was available and make it work for us. The length of the pier was only 450 feet and we had to shift vessels fore or aft to load/unload containers. With crane outreach limitations we also had

to swing the vessel around to work on both sides. Nothing was designed for the job it was doing, we had to adapt everything. But in a way that was a positive as it meant we became skilled at finding solutions.

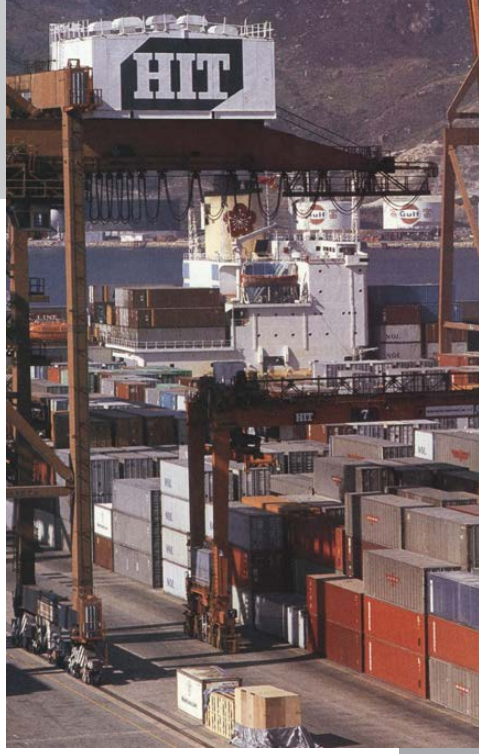
"In those days we had to operate with shipyard repair cranes, two straddle carriers and a side loader, no gantry cranes. With one crane working on 20-footers, it would take around 36 hours to two days to unload/load one ship. I think our fastest times were 12 lifts per hour, and with empties on deck we could handle 16 units per hour.

"The whole operation was more manual than machine. There would be two stevedores handling a 20-foot spreader.

"By the mid-1970s we had purchased a gantry crane from Japan. I remember the crane had to be low-profile because of the height restrictions near Kai Tak Airport. We also had two gantry cranes (two transtainers), so by then we were getting the right equipment but we still had no room to operate because space was so limited at Hung Hom, and therefore operations were still slow compared to nowadays. The same crane was rolled off onto a barge and transfered to Terminal 4. This was the first time we met Koji Morimoto when he was working with International

[In those days] it would take around 36 hours to two days to unload/load one ship

Keeping operations running smoothly in 1986. Left to right: Assistant Operations Manager - Transport, Li Hon Ming; Assistant Operations Manager, Mike McDermott; Engineer Manager, Dave Lewer; Technical Services Manager, Koji Morimoto; and Operations Manager, IB Kitchell



... the whole operation was more manual than machine.

Rigging of Honolulu. Morimoto later became HIT's Technical and Services Manager.

"We made the move to Kwai Chung in 1976 and started work at Terminal 4. With the acquisition of Terminal 2, HIT was able to sign up new shipping lines.

"We did have computers back then, even at the Hung Hom dockyard. We used Datapoint desktop computers – which I think no-one has heard of nowadays – and they were used for CFS operations and for container inventory.

"Since those days the company has developed beyond recognition. It has changed from a work-as you-go, labour-intensive business to a very sophisticated IT-intensive operation.

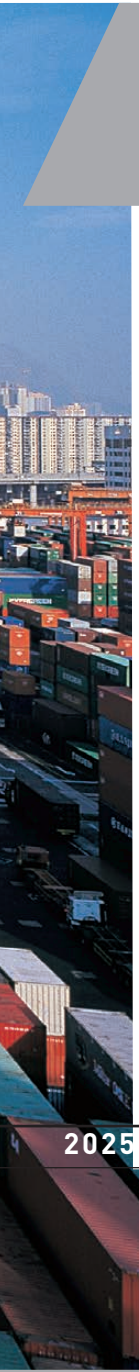
"In the early days we had no choice but to find solutions as we went along, to turn a makeshift operation into an efficient one. Now, IT systems control the operations and you can see everything you need right in front of you. Then, it was basically Do It Yourself – we had to think on our feet, and that was something I really enjoyed doing.

"I think it is testament to that early can-do attitude that HIT has expanded to such an international level. The company was always strongly committed to developing its own IT solutions. We didn't buy in packages that had been developed for other companies; we developed our own systems to suit our own particular needs. We were always committed to developing the best possible IT. That was a key difference between HIT and other businesses.

"Working alongside people like John Meredith, Richard Pearson, Clive Flegg, Jeff Pegg and Dave Lewer was a great experience. We made a great team. In fact, looking back on it today, I'd say it was a great management team: we all worked well together, we could communicate effectively, we were all hard-working and we were all committed to seeking out our own solutions for HIT group of terminals.

"I had tremendous job satisfaction during all my years at HIT. What more could you ask from your career than to see your company start small then expand into a major international business?"

The Next 35 Years



In this yearbook we have focused on HIT's remarkable evolution over the past 35 years, which begs the question: what does the future hold? It would be a brave forecaster indeed who sought to predict what the year 2039 has in store. What we do know, however, is that ships are getting bigger. The 8,500-TEU CSCL Asia, which called at Hong Kong in July, is 334 metres long and 42.6 metres wide, with a draft of 14.5 metres. Its boxes were stacked 17 wide.

There is plenty of room for even bigger vessels to come off the slipways, at least for a while, requiring deeper berths, stronger quay foundations, greater crane reach and capacity – and even more finely tuned technological and managerial skills to keep them moving. Scientists at the University of Delft in the Netherlands are already probing the physics of what they have dubbed "Malacca Class" ships – named because that's the maximum size that could safely transit through the Strait of Malacca. Naval architects believe container ships may, in the space of a single generation, reach 450 metres in length overall and carry up to 10,000-12,000 TEU in rows of 22 – or more.

But size is not everything. Containerised shipping faces physical constraints. There is water depth to be taken into account. The main through channel of the Malacca Straits, for example, is about 23 metres deep. Once ships become too big to pass this direct route from the Indian Ocean to the South China Sea, they face an additional two-day journey through Indonesia's Lombok Straits. Perhaps, as some visionaries predict, container terminals will be built offshore in deeper waters, rather as oil terminals are now. How then would the boxes move inland? Massive pipeline-conveyer belts? Fast feeder vessels? Or could it be something even more unpredictable?

Larger vessels require more horsepower, adding to fuel costs. At some point, the advantages of size will be offset by additional costs. That's why some naval architects are taking a diametrically-opposite design route. They are banking on speed over size. They see a myriad of small, high-speed vessels carrying cargoes to specific destinations, a logistical puzzle that would require incredibly detailed control of cargoes.

Then there is the future of world trade patterns to consider. Thirty-five years ago, HIT serviced Hong Kong's booming manufacturing sector. The prospect that southern China would emerge from the paddyfields to become the world's production powerhouse was one that only a very few visionaries seriously considered. Will production continue to be rooted in China, spreading further and further into the hinterland? Will parts of Africa and Latin America take on the mantle? Or will trade patterns develop into an entirely new form? Perhaps by imploding into hundreds of tiny "production centres" spread geographically but linked by remote automation "control centres".

We are straying here into the remit of the futurologists and even crystal ball gazers. But while there is very little that can be taken as given, there is one thing that can be predicted with a high degree of certainty: The HIT intake of 2004 can expect to experience an amazing journey as the 21st century unfolds.

2025 2026 2027 2028 2029 // 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039

The port operations of
Hutchison Whampoa Limited

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Chief editor: Lily Chan // **In-house editor and art director:** Dean Robinson // **Editor:** Diane Stormont – Hongkongnow.com Limited // **Design and Production:** Gill Peacock Design