



# Service is Our Business

Over the past year NWSH has undergone a transformation unprecedented in its corporate history. As a result of the strategic Reorganization of New World Group, NWSH is a multi-faceted service company with ten times the turnover, ten times the capitalization and ten times the potential. Due to this initiative NWSH shareholders gain business scope, increase free float and maintain the upside of the existing ports business.

With the completion of this Reorganization, shareholders can look forward to a bright future. NWSH is now the flagship service arm of New World Group, a highly focused enterprise with service operations that extend across Greater China in the promising sectors of service management, infrastructure and ports development. We are a responsive business that is equally comfortable in the provision of service to a single individual or supporting the needs of the largest corporation. At the base of our business model is a desire to provide people with high quality service at a fair value.

NWSH is an enterprise that is also responsive to its shareholders. The Group delivers shareholder value by pursuing growth opportunities in Greater China through the leverage of a stable earnings stream and solid cash flow. Central to our mission is the ability to reduce debt, achieve reasonable returns on equity and adopt a dividend policy that is in line with comparable stable cash-flow businesses. These objectives are backed by a commitment to transparency, corporate governance and social responsibility.

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### **From PPC to NWSH**

Since its acquisition by NWI in 1998, PPC achieved steady growth in earnings and assets as a port player in Greater China. Owned by NWI, which in turn is owned by New World Group, PPC attained recognition as one of the leading Hong Kong port operators and a competitive force in the Mainland China ports of Xiamen and Tianjin.

This year, PPC played a central role in the Reorganization of New World Group, the largest exercise ever undertaken by one of Hong Kong's leading conglomerates. In the course of this Reorganization, PPC was transformed into NWSH via an injection of NWI traditional infrastructure assets and NWSS businesses.

### **Promising Business Mix**

NWSH emerges from this Reorganization with a larger scope and a diversified mandate. From a consumer perspective, NWSH is a service company that meets the needs of the people of Greater China, wherever they reside and whatever they require. We move individuals across a city via public transport or motor vehicles from one province to another on our extensive road network. We quench the thirst of city dwellers through water treatment facilities and light residences across the nation.

On the enterprise front, NWSH provides essential services. Our power plants fuel industry, ports facilities ship cargo worldwide and highways transport goods from province to province. We also manage large facilities, construct mega-projects and support environmental programs. This spread of activities perfectly positions NWSH to play a central role in the region's evolving service industry.

## → Chairman's Statement

**Currently, NWSH is ready to deliver value to its shareholders. Attributable operating profit increased substantially this year due to the injection of businesses and assets in the service management and infrastructure sectors.**

### **A Focused Future**

With the Reorganization complete, NWSH can consolidate operations to improve efficiency and increase profitability. The Group will strengthen its balance sheet through an accelerated debt repayment plan, one that has made considerable headway with repayments totalling HK\$3 billion by September 2003.

Meanwhile, with strong cash base and a solid earnings stream, NWSH has room to fund expansion. To date, the pace of debt reduction and improved financial strength has exceeded market expectations. Share price has surged since the Reorganization due to renewed investor confidence. The initiative to strengthen the balance sheet was rewarded by Standard & Poor's assignment of an investment grade rating.

NWSH will continue to repay debt, strengthen the balance sheet and reinforce attributable operating profit ("AOP") in the coming year. The contribution from Hong Kong operations will expand as the economy rebounds from Severe Acute Respiratory Syndrome ("SARS") and a deflationary economic cycle. Furthermore, Hong Kong is expected to benefit from an upturn in the United States and global economies. In addition, the recent signing of the Closer Economic Partnership Arrangement ("CEPA") agreement with the central government of China and Mainland China's accession to the World Trade Organization ("WTO") will support AOP growth.

### **Mainland Card**

Though Hong Kong remains a key contributor, the future target for all businesses is Mainland China. Management expertise, global connections, a local power base and capital market prowess are strengths that can be exploited to the fullest. However, expansion will proceed on a gradual and select basis, with a focus on investing in businesses that improve AOP over the short-and medium-term.

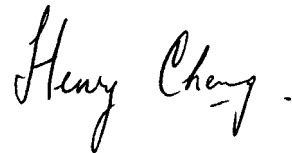
Mainland China should maintain its momentum as the region's fastest growing economy in the foreseeable future. In particular, Guangdong, a central focus of operations, continues to grow at a torrid pace. Regulations and market-opening initiatives related to WTO provide benefits and opportunities. Though Mainland China does face pressure to appreciate its currency, any move in this direction will be incremental, as officials are eager to shelter the economy from shocks. In the end, a strong economy combined with the growing affluence of consumers, the desire to improve infrastructure and an export-led trade policy are all positive factors for NWSH.

## A Final Word

NWSH is committed to being a respected corporate citizen. This is achieved from a shareholder's perspective by strengthening corporate governance and maintaining high transparency standards. On the community level we strive to be responsible, whether that means the establishment of cutting-edge environmental policies or ongoing support of charities. Central to this objective is the ability to win the respect of all employees; every employee must be proud to work at NWSH and believe that we will continuously support their personal development.

It is with confidence and excitement that NWSH turns to the future. The foundations are in place to produce steady and stable growth across all service sectors. The management team believes that the loyalty of our shareholders will be rewarded as NWSH delivers on its promise to enhance value.

After all, Service is Our Business.

A handwritten signature in black ink that reads "Henry Cheng". The signature is written in a cursive, flowing style.

**Dr. Cheng Kar Shun, Henry**

Chairman

Hong Kong, 16 October 2003