

# Chairman's Message



### SERVE CHINA, REACH THE WORLD

When New World Group first invested in Pacific Ports Co. Ltd. ("PPC") a few years ago we did so with a vision to rapidly expand the business of this promising Company in the Greater China arena. More importantly, our primary objective was to accomplish this growth in a profitable and responsible manner. During the short time we managed the development of PPC we are pleased to state that we have fulfilled our promises of expansion and profitability. Today, we stand on the threshold of a watershed change in the scope by which PPC is perceived by the business and investment community.

From an operational perspective, the global dynamic shifted considerably last year with China's accession to the World Trade Organisation ("WTO"), an event overshadowed by the influence on cross-border trade of the 9/11 Incident. Still, the entrance into WTO has already had a major impact on China. And, this is only the beginning. As the underlying principles of WTO are ushered in over the next several years, exciting opportunities will arise and PPC is poised to benefit across a number of fronts.

When the final announcement was made to join WTO all those working in China-related businesses breathed a collective sigh of relief. At times, the ability to reach an agreement proved elusive. Negotiators from both sides were forced to deal with a complex equation of tariffs, protectionist policies and the fundamental need to maintain a stable market. Now, this is all behind us.

When PPC gazes into its crystal ball it sees a promising future. The impact of the 9/11 Incident and a crisis in confidence among investors in America and Europe has put a damper on activities to a certain extent. Still, there is a silver lining to every cloud and this one is no exception. For instance, the weakness of the US dollar, which is associated with a downturn in the US economy, provides a boost in exports for Greater China. In addition, continued dollar weakness will ease deflationary pressure, especially in the Mainland.

#### Bright Outlook

Though China is already witnessing the economic impact of WTO, many new elements will kick in over the next few years. Given this scenario, PPC is perfectly positioned for growth. The Company has completed the smooth integration of Hong Kong and Tianjin cargo handling assets and new port projects are beginning to mature as additional revenue streams come online.

That is not to say that PPC expects a clear run in coming years. We understand that as the stakes increase with accession to WTO, so will the levels of competition. New players are taking a closer look at a market that is expected to produce impressive economic and trade numbers. New infrastructure projects have been announced and coastal port development is proceeding at a fast pace, backed fully by local and central government support.

In terms of competition, the PPC advantage is clear. A strong position in Hong Kong and global connections support a rock solid Mainland power base. A company-wide global focus has produced a management team that applies international standards to business development and has developed longstanding relationships with leading financial institutions. Overall, this combination of domestic strength and global reach serves PPC well. In addition, the solid financial status of the Company permits room for expansion in a market where opportunities arise daily.

#### Proposed Acquisition

Pending all approvals, we propose to once again enlarge PPC. This time we plan to acquire New World Services Limited ("NWS"), a subsidiary of New World Development Company Limited ("NWD"), and the New World Infrastructure Limited ("NWI") basic infrastructure assets. The primary concept behind these acquisitions is to expand from one line of infrastructure, mainly cargo handling, into a full line of infrastructure projects and services. This expansion will take place on a horizontal plane, in terms of new infrastructure businesses, as well as from a vertical perspective, in terms of infrastructure related services.

This opportunity is of great relevance to PPC shareholders, both from a business opportunity and a value creation perspective. Under the current proposed reorganisation PPC will become a top rank infrastructure, port development and services group in Hong Kong, Macau and the PRC. Furthermore, the free float of PPC shares will be dramatically improved and the asset base substantially broadened. Besides, in the process of completing these two acquisitions the PPC turnover will increase by some 100-fold.

#### Ready to Roll

Let us not underestimate the challenge of building a new and improved PPC at a difficult time in the global economic cycle. However, we do stand prepared to reinforce our commitment to China in this period. The desire to serve China, along with a capacity to reach the world, is the driving force of our enterprise. At this time, we extend a sincere welcome to all our new teammates from NWS and NWI. We look forward to growing with you and our loyal investor base to produce a unique Greater China powerhouse.

**Dr. Cheng Kar-Shun, Henry**  
Chairman