

# The Promise of Jade

New World Infrastructure Limited (“NWI”) likens its ambitious mission to develop basic infrastructure and e-infrastructure/technology in Greater China to the discovery and crafting of rare jade. There are numerous challenges to face on the road to crafting a treasure, not least of which is the need to uncover precious jade hiding in rough stone. Similarly, there are a variety of obstacles NWI must overcome in its efforts to discover hidden value and nurture profitable projects in a complex market.



In many ways the methodology used to develop premier infrastructure projects resembles the long process of transforming stone into rare jade. First, one must have in-depth experience and excellent intuition to select the perfect stone in its natural state. Choose the wrong stone and the capital investment is virtually worthless. Select the right stone and the investment increases manifold – that is the basis of the value proposition that NWI delivers to its investors.

Essentially, once jade is discovered only an exact cut and the perfect polish will achieve optimal value. Time and patience is needed to create a spectacular piece and the end result is always worth the effort. Finally, the longer one holds a quality piece of jade the more its value appreciates. This same value proposition holds true when it comes to the art of developing infrastructure projects in Greater China.

## Rough Stone

In the case of NWI, the rough stone from which to extract rare jade is the nation of Mainland China. In 1989, when New World Group invested substantially in two infrastructure projects, China was a rough stone that few would dare to touch.

At that time, New World made the decision that this rough stone could yield unprecedented amounts of jade given time, understanding and patience. Over the course of the last decade, China has proven that it does indeed warrant the trust and confidence of the world's foremost corporations and investors. With a world leading growth rate, the economy has more than doubled in size over the last decade and the landscape has shifted in such a way as to integrate China with the world economy.

Since first entering the infrastructure arena, NWI has chipped away at this rough stone that is China. In the process of mining for jade, NWI has uncovered a number of treasures, projects that have yielded handsome returns and ongoing recurring income streams. While it took many years to polish the Guangzhou City Northern Ring Road (“GNRR”) and Zhujiang Power Station projects, NWI has been rewarded many times over for its patience and persistence.

## Stone to Jade

The NWI value proposition applies a unique set of theories and tools from which to craft infrastructure into rare jade. The first step is to identify promising projects to be transformed into profitable basic infrastructure and e-infrastructure/technology businesses. After two decades of experience as one of China's most prolific investors, time and again the NWI team has pinpointed projects that yield the returns investors' desire. In so doing, NWI scours the PRC and its many sectors to find the raw materials to produce a masterpiece.

# Chairman's Message

Once a project is chosen from the many opportunities that are presented to management on a daily basis the long polishing process commences. Overall, there are many different components in this segment of the value proposition dynamic. Together these factors form the philosophy that governs the decision-making process of a business that stretches from power plants to water treatment, road networks and e-infrastructure/technology projects.

Factors that compose the NWI value proposition include the capacity to transfer management expertise and technology, access to global capital markets, an in-depth knowledge of the PRC cultural and business landscape as well as connections to an array of strategic partners. All these factors must be combined with the patience of a management team that builds long-term relationships in its quest for expansion and profitability in Greater China.

## Jewels in the Crown

Over the course of its corporate history, NWI has pursued an aggressive business development strategy. Currently, over 80 pieces of potentially rare jade have been carved from stone. Of these 80-plus projects, more than a few have already been crafted into stellar businesses and some 20 projects compose the majority of the total revenue contribution. However, NWI expects every project in the investment portfolio to eventually be polished into a shining jewel over the course of time. Those pieces of stone that do not have the necessary jade content to craft a treasure are quickly disposed of to preserve management time and cash flow.

The first jewel in the NWI crown is Guangzhou City Northern Ring Road. GNRR was the first infrastructure investment ever completed by New World in China. Today, GNRR is the model toll road to which hundreds of students flock on an annual basis to learn the art of road management. Equally important, the fast growing Ring Road always ranks high on the list of profitable infrastructure projects and is widely considered to be the most successful toll road in China.

Two other jewels in the crown come in the form of Zhujiang Power Stations Phase I & II and CSX World Terminals Hong Kong Ltd ("CSXHK"). In powering the Guangdong economy Zhujiang Power Station has emerged as a profitable business that is designated as the best managed energy producer in China. For its part, CSXHK has surged ahead to become the most efficient cargo handler in one of the world's most productive ports.

Another jewel was produced in the technology sector. When NWI was approached in 1997 to invest in chinadotcom, other investors had already turned down the opportunity due to China's poor Internet infrastructure. Contrary to popular belief, NWI decided the concept was strong. The rest is history. It took only two years for chinadotcom to be crafted into the first Asian portal to list on NASDAQ.

Last year, NWI sold a small portion of its chinadotcom stock at close to the top of the market for more than the sum total of its investment. Despite the downturn in the technology market, the value of this piece of jade has risen manifold and NWI believes that even more value can be derived from this stellar investment in coming years. This is especially true given NWI's ability to lock in a low stock purchase price due to its status as a founding investor.

## More Gems to Come

These four projects are just some of the jewels that NWI has crafted in recent years. Based on the NWI value proposition of patience and dedication other companies and projects have

become valuable components of the portfolio. These new projects – with names like Tangjin Expressway, Beijing-Zhuhai Expressway, GWcom, PrediWave and Asia Container Terminals – are the GNRRs and chinadotcoms of the future. They are an important part of a value proposition that will provide shareholders with promising investment returns for some time to come.

In addition, NWI is continuing its search for rare jade in the China market. Every day project managers craft existing projects and consider new opportunities. Two pieces of jade currently in the polishing phase are mobile communications and multimedia infrastructure technologies. Among the first investors to look at the infrastructure technology arena NWI has developed a solid portfolio of businesses in this new and exciting frontier.

## The Best is Yet to come

Similar to crafting a jade treasure, it takes long years of dedication to achieve success in the infrastructure arena. In order to realize the true value of a project, a number of key elements must come into perfect alignment. Timing, business cycles, the course of the PRC economy, management dedication, marketing prowess and financial acumen are all part of this sensitive dynamic.

In the years ahead, NWI will continue to patiently deploy the "jade model" to explore the hidden value of the basic infrastructure and e-infrastructure/technology markets of China. In combination with a solid operational strategy and the dedication of its management team, the NWI time proven ability to excel will once again yield top-level results. We sincerely hope our loyal employees and long standing shareholders will be on-hand as NWI surges towards a new era of prosperity.

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



Rough jade: value HK\$100 million  
Crafted jade: value HK\$1 billion to HK\$2 billion