

Q&A with the Managing Director

In this Q&A section Managing Director Douglas Chan addresses the NWI financial position, technology investment, the strategy for the basic infrastructure business, the impact of WTO, asset disposals and the level of the stock price.

Q: How is the consolidation initiative proceeding?

A: Consolidation is a normal aspect of corporate life and the NWI consolidation process is healthy from every perspective. Presently, the two key areas of focus are the state of the balance sheet and the disposal of non-performing assets. For two years now the plan has been to reduce outstanding credit levels to bolster the balance sheet. NWI will continue to reduce credit levels in an orderly manner that ensures stability.

Asset sales are an important part of the consolidation process. During the course of restructuring operations we took the opportunity to sell the H-Share portfolio. In addition, we disposed of Guangzhou Three New Bridges and Roadway No.105 at a modest profit. These assets did not perform up to expectations and for that reason they did not fit into the future development picture of the Company.

Q: What is your strategy for basic infrastructure?

A: After five years of rapid expansion we are now in the consolidation stage. Over the course of the last fiscal year we have taken steps to dispose of under-performing assets, especially in the road and bridge segment. However, this does not mean we are unwilling to invest more in basic infrastructure. We are always looking to increase stakes in projects that perform well and we will not hesitate to expand into profitable niches, especially in the cargo handling and water treatment segments.

Q: What is your technology investment plan?

A: NWI actively invested in a number of promising ventures last year. We are reviewing the asset mix and considering the synergies between the different holdings. Currently, we are pleased with the position of the technology portfolio and expect a number of breakthroughs. NWI emerged in a relatively solid position from the Internet bubble. We were in early with chinadotcom at a fair valuation and cashed out a significant stake near the peak. Nevertheless, there were some adjustments to be made and for that reason we have made provisions for almost all Internet-related businesses. What remains in the portfolio is a group of technology leaders that are ready to win market share in the post-WTO accession era.

Q: What is your view on the valuation of NWI stock?

A: There seems to be a basic lack of understanding on how to value NWI. For instance, the market focuses on the seemingly higher debt level of NWI compared to its peer group and sees this as a negative aspect. We feel this is an unfair comparison. In most cases our competitors are stagnant utility companies with little or no growth. NWI is a more dynamic business and capital is needed to finance growth. For that reason, the net debt-equity ratio will be maintained at lower than 60%.

In addition, the market seems to have discounted our portfolio of technology investments. We are proud of our e-infrastructure/technology investments and believe there are a number of winners within the group, such as investments in alternate energy, multimedia and mobile communications technology. We believe that we can demonstrate the true value of our technology investment in a relatively short period of time. Not only do we believe in our existing technology investment we have identified a rare opportunity to enter new sectors.

In the end, NWI boasts a solid management team with local know-how and international experience, top rank global partners, a strong recurring income stream generated by basic infrastructure projects, a solid cash position, a track record of profitability and a promising portfolio of investments. I do believe that the combination of these factors will deliver value to shareholders over the long-term.

Q: What will happen with China's accession to the WTO?

A: We are more than eager for WTO membership to arrive and have been a cheerleader of the process from day one. After all, companies with an in-depth experience and a solid investment portfolio will be the winners of the WTO sweepstakes. As one of those companies we are excited by the prospects. As an old China hand NWI is already prepared for the technology investment opportunities that will arise in new sectors. This will be a most exciting phase in China's evolutionary Open Door Policy.