

Roads & Bridges

Energy

Water Treatment

Cargo Handling

Telecommunications
Media and
Technology



Strength from Adversity

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The world has gone through many changes this year and so has New World Infrastructure Limited (NWI). We have met the challenge of a world in transition head-on. On a global scale, we continue to work closely with major strategic partners and institutional investors interested in China. We are proud to make use of our experience to explore opportunities in the world's most exciting market and are pleased to note that our commitment of capital and resources has not wavered.

In China, every year brings substantial change in one form or another. This year we witnessed the long-awaited entry into the World Trade Organization (WTO). The deregulation pace quickened as markets opened to foreign players. The urban and rural landscapes continue to transform as infrastructure projects come on-stream. Meanwhile, domestic consumption remains strong, thus allowing the nation to absorb global shocks while maintaining strong GDP growth.

Still, the last two years have not been easy for NWI or its investors. In that time frame, we have restructured operations to play a larger role in the Telecommunications, Media and Technology (TMT)

segment. However, change is nothing to be afraid of if it is managed well. NWI has a tradition to manage change in ways few others can match. As a first mover it is our specialty to anticipate the course of a market in transition. When we identify opportunities we must act quickly or forfeit the advantage.

That is the basic vision behind our foray into TMT. The choice was clear for NWI from the outset. On one hand, we could use cash flow from basic infrastructure projects and asset sales to pay debt. By following this route we would eventually assume the profile of a low-growth utility play. The other choice was to invest in high-growth new economy infrastructure plays. By pursuing this specific strategy NWI can better create shareholder value in a challenging market environment.

China's Transition

Each year of operations in Mainland China is like ten years in the mature economies of America and Europe due to the hectic pace of business. Though NWI is less than a decade old, it feels as if we have gone through a century of evolution during the course of our expansion. This rapid development model puts

pressure on all companies that serve China to move with the times. Those that cannot meet the challenge lose their place to aggressive local firms or international entrants. Time waits for no one in the evolving PRC market that is the PRC.

It is this reality that has put NWI in the position to make hard choices over the years. Some may question the strategy of moving into the TMT Segment, but consider the risk of not moving in a new direction in the wake of WTO accession and increased competition. Others in our peer group have been faced with similar challenges and their response is to diversify operations outside of China. Our choice is to maintain a leadership position inside China and we strongly believe this policy serves us well.

Proposed Asset Disposal

To better reflect the future potential of NWI as described above the board of directors proposes a reorganization of the business. In conducting this reorganization, NWI will dispose of its basic infrastructure assets to Pacific Ports Co. Ltd. (PPC). In the course of this disposal shareholders will be offered the opportunity to own separate stakes in two companies, one focused on TMT and the other on basic infrastructure, ports development and services business.

This disposal will allow the NWI management team to focus entirely on the development of its TMT operation with a clear business strategy. In addition, upon disposal of basic infrastructure assets, the NWI capital structure will be much stronger. The Company's debt gearing will be dramatically reduced and there will be adequate resources to support the growth of the business. This bodes well for the future as a number of the TMT businesses are on the verge of commercializing products and contributing to profitability.

New Business, Improved Model

It should be understood that the proposed disposal of assets does not change the fundamentals upon which NWI operates. The strength of our business model and long-term dealings in the PRC has brought the company a long way. We do not intend to abandon tried-and-true principles in the development of technology infrastructure. NWI will continue to leverage international alliances, strategic partnerships and joint ventures to introduce leading-edge technologies. NWI will also use its capital market prowess to finance new businesses.

Basically, NWI has anticipated the development cycle and positioned itself as a first mover at each turn on the road to PRC prosperity. Over the years, alliances were formed with infrastructure companies in Europe and the US to explore opportunities. Joint financing agreements were signed with investors and links to global financial institutions were formed to allow NWI to leverage its operational base. All this was done to build a dominant position in the Greater China market.

In addition, decades-old connections with government and enterprises will continue to deliver opportunities to the NWI network. Meanwhile, times have changed in terms of dealing with local enterprises. Many local companies are flush with cash and eager to invest with NWI to gain the benefit of our management techniques and experience. More and more, these companies will be our future partners.

It is our deep-rooted commitment to China that remains important to future business. China's impressive growth record has created opportunities in ways few could imagine. Look at the sectors of wireless communications, broadband services, multimedia, the Internet and alternate energy. These markets form the foundation of modern infrastructure. After all, what is the difference between building a super highway or the information highway, a fixed line telecom network or a wireless platform?

It is a capacity to put the pieces of the puzzle in place that drives NWI to new heights. The NWI advantage is its international management standards, access to local and global capital pools, government support and ability to complete large projects. It is true that the world faces a time of change. It is equally true that China will play an important role in that change. Our mission is to adapt the NWI business model to fit this reality and maintain our leadership position in the world's fastest growing market.

Strength from Adversity

Finally, we appreciate the faith our loyal management team and investors have expressed in the future direction of NWI. In the year ahead, we will take a more focused approach to the creation of shareholder value. In so doing, we will work to regain the all-important confidence of the capital market. We will remain a solid corporate citizen and community leader. On that front, we have dedicated resources to such areas as corporate governance, investor relations, community services and environment protection over the course of the last year.

With these fundamental cornerstones in place we can succeed in building a company that all can be proud to work and invest in, an enterprise that will be a central player in the future growth of Greater China.

Dr. Cheng Kar-Shun, Henry
Chairman