

Corporate Governance

NWS Holdings views corporate governance as a responsibility that must be taken with the utmost seriousness. The board of directors (the “Board”) and management of the Company are fully committed to fostering and maintaining a high standard of corporate governance by fair disclosure and transparent reporting. We endeavour to ensure long-term, sustainable growth and competitiveness that will maximize shareholder value in a socially responsible manner, while recognizing the interests of other stakeholders including our customers, employees, business partners and the community at large.

The Board

Meeting formally at least four times a year, the Board is made up of 13 directors who have distinguished themselves in their field of expertise. The Board currently comprises seven executive directors and six non-executive directors (including three independent non-executive directors) whose biographical details are set out in the “Board of Directors” section in pages 10 and 11 of this annual report.

The Board is responsible to shareholders for the proper management of the Group. All directors have a wide range of experience, bringing independent judgement to bear in the interests of the Group on issues such as

strategy, performance, resources and standards of conduct. Non-executive directors of the Company have played an active role on the Board to ensure any proposed strategies are fully discussed and critically examined and are in the best interests of the shareholders.

To facilitate directors’ full participation, all of them have comprehensive and timely access to

all relevant information. Moreover, Board papers are circulated about a week before Board meetings to ensure that directors have sufficient time to review them. Board members are invited to put forward agenda items for the Board meetings. The number of meetings held and the attendance record of the Board members in the past two years are as follows:

Attendance Record of Board Meetings in FY2003 and FY2004

| | 2004 | 2003* |
|-------------------------------------|------|-------|
| Number of Board meetings | 6 | 3 |
| Attendance | | |
| Independent Non-executive Directors | 78% | 100% |
| Non-executive Directors | 75% | 84% |
| Executive Directors | 92% | 87% |
| All Board Members | 86% | 94% |

* For the period from 29 January 2003 to 30 June 2003

Each of the three independent non-executive directors has submitted to the Hong Kong Stock Exchange and the Company a written confirmation under Rule 3.13 of the Listing Rules concerning his independence status. The Board considers each of the three independent non-executive directors to be fully independent.

All directors, apart from the Chairman, are subject to retirement by rotation at the Company's annual general meetings. To enhance accountability, the Company's bye-laws is proposed to be amended to include the Chairman under the rotational plan at the annual general meetings.

To ensure our performing the role of a responsible corporate citizen, the Board is in the process of establishing an advisory committee to oversee the Group's policies concerning corporate social responsibilities. This underlines the Company's ongoing commitment to serving the best interests of all stakeholders.

Executive Committee

In 2003, the Board established the Executive Committee and delegated its powers, authorities and discretion to this committee for managing day-to-day business of the Group.

Currently, the Executive Committee is constituted by all the executive directors of the Company.

The meetings and proceedings of the Executive Committee are governed by the provisions contained in the Company's bye-laws for regulating the meetings and proceedings of the Board. The Executive Committee meets regularly with approximately one meeting every week during FY2004 and with average attendance rate over 77%.

Three separate Executive Committees have also been set up for the principal investment divisions of NWSS, NWSI and NWSP.

Audit Committee

The Company established the Audit Committee in accordance with Appendix 14 of the Listing Rules in 1998. It currently comprises Mr Kwong Che Keung, Gordon as Chairman and three members namely Mr Cheng Wai Chee, Christopher, Mr Dominic Lai and Mr Shek Lai Him, Abraham; all of them are non-executive directors of the Company. All members of the Audit Committee possess professional qualifications or extensive experience in financial matters. The Audit Committee meets at least twice a year.

The main duties of the Audit Committee are as follows:

- to consider the appointment of external auditors, audit fees and issues related to resignations or dismissals
- to discuss with external auditors the audit plans for each financial year
- to review and discuss with external auditors the interim and annual results of the Company
- to review the internal control systems of the Company

The Audit Committee meets regularly with management and external auditors, and reviews their reports. During FY2004, it met twice with an average attendance rate of 83%. To enhance independent reporting by external auditors, no executive directors attended the Audit Committee meetings held during the year.

The Audit Committee has reviewed the audited financial results of the Group for FY2004 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed

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the adequacy and effectiveness of the Company's internal control systems and made recommendations to the Board.

Treasury Committee

The Treasury Committee monitors the Group's liquidity and financial resources including its borrowing level, maturity profile of borrowings, banking facilities and cash level. The Treasury Committee is responsible for ensuring all subsidiaries comply with the Group's corporate treasury policies, procedures and reporting requirements. It aims at all times to enhance financial resources and to reduce finance costs.

Internal Control

Group Audit & Management Services

The Board is committed to managing business risks and maintaining a proper and effective system of internal control. The effectiveness of internal control of the Group is reviewed regularly by the Board, the Audit Committee, senior management, and the Group Audit and Management Services Department ("Group Audit"). The Group Audit assists the Board in carrying out continuing assessments of the quality of risk management and control. It also promotes effective risk management across the Group's respective business operations.

All staff members of Group Audit are qualified professionals. The Chief Internal Auditor reports to the Board and the Audit Committee. The internal auditors have unrestricted access to review all aspects of the Group's activities and internal controls.

Group Audit performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. In addition, the works carried out by Group Audit will ensure that internal controls are in place and functioning as intended, and the operations are conducted in an effective and efficient manner.

Group Audit provides written internal audit reports regularly to the Audit Committee for consideration at its meetings. Concerns reported by Group Audit are monitored regularly by management until appropriate corrective measures have been implemented.

Central Monitoring Board

The Central Monitoring Board participates in and monitors the Group's tender subcontracting activities. It issues guidelines on efficient operational practices from time to time to relevant subsidiaries and conducts regular review and assessment of information concerning contracted projects and

the subcontractors that undertake these projects. It also assists subsidiaries in setting up effective cost control systems for the purpose of contracting projects out to third parties.

Code of Best Practice

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during FY2004, except that non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors contained in the Listing Rules. The Board confirmed that all the directors had complied with the required standards of the said code during FY2004.

Investor Relations

NWS Holdings is dedicated to maximizing shareholder value, and high standards of disclosure and financial transparency are key ingredients to achieving this aim. The Group works to ensure that information concerning our financial and business activities is disseminated to the public in a timely and equitable manner. This is done through a number of means including interim and annual reports, announcements, circulars, newsletters, press releases, and other communications tools as required, which are made available on

our corporate website and distributed electronically to subscribers.

The Group is also keen to maintain effective two-way communication with the investment community. Our investor relations core team, which comprises senior management of the Group, meets institutional investors and financial analysts from time to time, either in international roadshows, one-on-one company visits or through conference calls. A total of 61 such meetings were conducted with institutional investors and financial analysts during the year.

Our strong pursuit of excellence in corporate governance to inspire investor confidence has been recognized by the investment community. In early 2004, NWS Holdings was included in both the Hang Seng HK MidCap Index and the FTSE Asia Pacific Ex-Japan Index. In addition, the Group's 2003 annual report won three honours in the international Mercury Awards, including a silver award in overall presentation. The award recognized effective communication of corporate information as well as presentation and readability of financial information and written text.

Share Price of NWS Holdings Limited from February 2003 to September 2004

