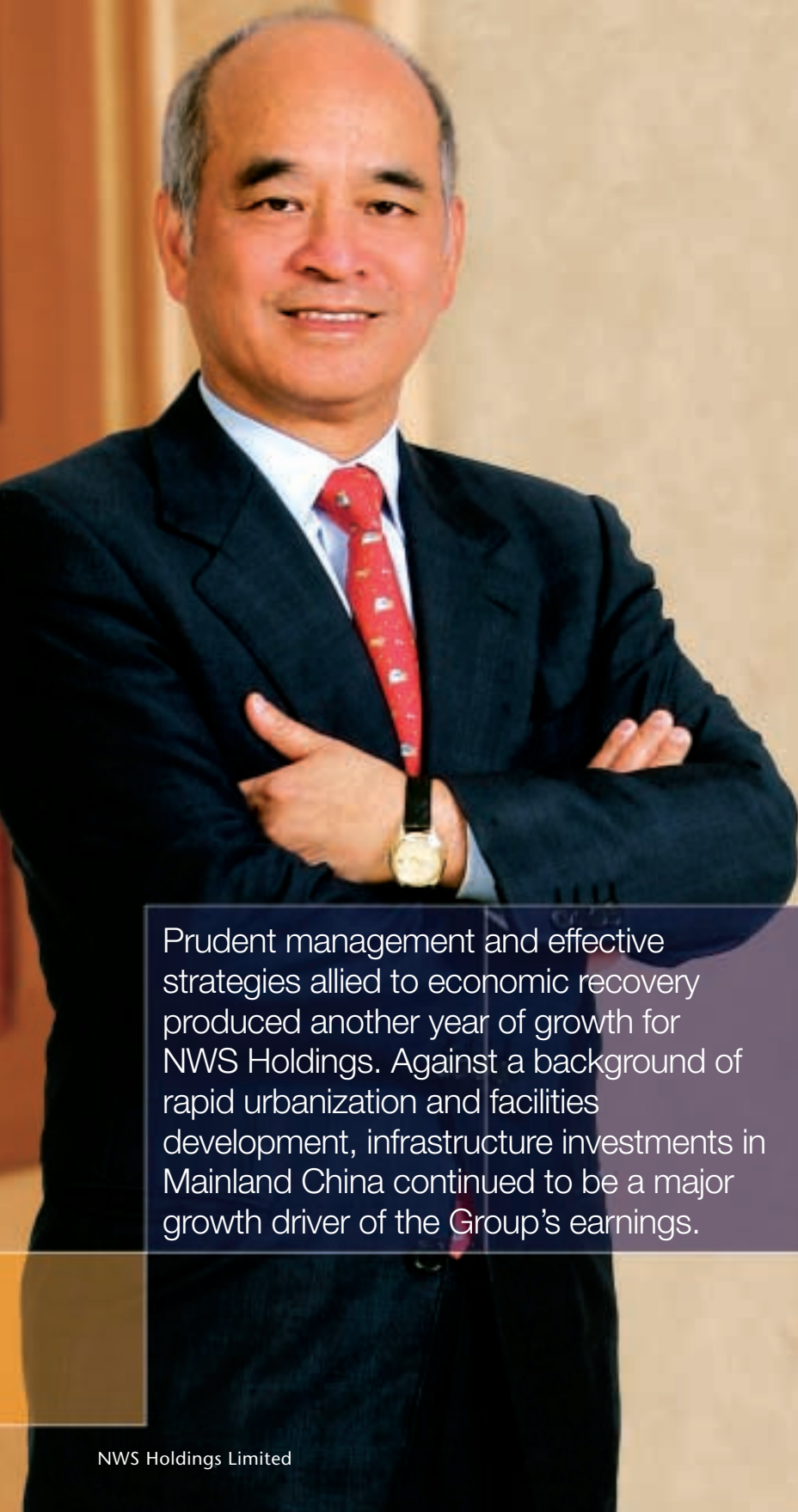


Chairman's Statement



Prudent management and effective strategies allied to economic recovery produced another year of growth for NWS Holdings. Against a background of rapid urbanization and facilities development, infrastructure investments in Mainland China continued to be a major growth driver of the Group's earnings.

Fellow shareholders,

FY2005 was another year of growth for NWS Holdings in terms of earnings and corporate development. This was partly due to the overall economic recovery, but even more so to the prudent management and effective strategies of the Group. NWS Holdings recorded a net profit of HK\$2.918 billion, representing a 90% growth over the previous financial year. The surge in profit was attributable to an exceptional gain of approximately HK\$1.8 billion from the disposal of Hong Kong ports operations in early 2005. Net debt decreased substantially to HK\$2.5 billion (2004: HK\$4.6 billion), reducing the gearing ratio to 18%.

Dividend strategy

The Company's dividend payout strategy is to maintain a long-term stable dividend payout ratio, providing shareholders with a highly competitive return on investment. The dividend payout will be linked to underlying performance of our businesses, as well as new projects and capital expenditure incurred during the period. With stable recurring cash flow and strong cash position, the dividend declared by the Group increased from HK\$0.40 per share in FY2004 to HK\$0.80 per share, or a 100% growth, in FY2005. The dividend payout ratio increased from 47% in FY2004 to 50% in FY2005. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at 50%.

A fruitful but challenging year

The Group's infrastructure investments in Mainland China yielded good results with earnings accounting for 70% of the Group's total earnings. The large portion of cash flow generated by our Mainland China businesses also allowed us to benefit from the appreciation of Renminbi. In early 2005, in order to project a more defined structure and highlight our positioning as a major infrastructure player, we streamlined

our businesses into two divisions: Infrastructure and Service & Rental.

Continued strong economic growth and urbanization in Mainland China have stimulated electricity consumption, water treatment, traffic flow on highways and cargo shipment. Our electricity sales increased and water consumption achieved remarkable growth. Toll income rose satisfactorily, and in order to capture the growth potential in Pearl River Delta region, the Group enlarged its highway portfolio by investing in the Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section), the Guangzhou-Zhaoqing Expressway and the Pearl River Delta Ring Road (South-western Section). In addition, the Group focused on its ports business in Mainland China after the disposal of its Hong Kong ports operations, and was particularly encouraged by the robust performance of Xiamen port. In order to maintain earnings capability, in May 2005 the Group entered into an agreement acquiring a stake in Tianjin Five Continents project, a four-berth container terminal that is already operational.

Hong Kong Convention and Exhibition Centre (Management) Limited continued to achieve excellent results. The Town Planning Board has approved the atrium expansion to increase the exhibition space by about 30% or 200,000 sq ft. The project will enhance the Group's future earnings from space rental as well as food and beverage operations. By contrast, reduced public projects in Hong Kong, aggressive competition and higher material costs caused the Contracting segment to register a loss in FY2005. To counter this, the Group diversified operations across Mainland China and Macau and was awarded a number of hotel and entertainment facility projects worth HK\$7 billion in Macau. Our Transport businesses faced strong challenges from the surging price of fuel and the newly opened railway extensions in Hong Kong. However, synergies achieved by service operators under NWS Transport Services Limited helped to relieve the pressure of ever increasing operating costs.

A promising outlook

Infrastructure division will continue to be the major growth driver of NWS Holdings, notably for expressway, water and energy operations. Our corporate strategy is to continue seeking investment opportunities and deploying additional resources in this high growth area. Although the service sector in Hong Kong continues to be challenging, we expect our Facilities Rental segment to sustain growth in the coming year.

We also see opportunities in the Water segment, with the Central Government encouraging privatization of water supply service. The 20-year experience of Sino-French Holdings (Hong Kong) Limited ("Sino-French Holdings"), a joint venture between NWS Holdings and SUEZ, in water project investments across Mainland China and Macau, places the Group in a strong position to acquire new projects in Mainland China's major cities. Sino-French Holdings has signed a letter of intent with Chongqing Water Holding (Group) Co. Ltd. earlier to establish a joint venture to explore investment opportunities in water projects in Chongqing and nearby regions.

Given the Central Government's long-term target of building 85,000 km of expressways and increase in car ownership, NWS Holdings will focus its road investments on high growth regions. In order to fulfill its goal of expanding infrastructure and logistics businesses in Mainland China, the Group has recently signed a letter of intent with China Railway Container Transport Corp. Ltd. and other independent third parties to set up a 50-year joint venture to develop, operate and manage 18 large-scale pivotal rail container terminals in 18 major cities in Mainland China.

The revival of Hong Kong's property market together with contributions from Macau construction projects will help improve the Contracting segment's performance in the coming year. After considering the views of various stakeholders, NWS Holdings and our joint venture partner Sun Hung Kai Properties Limited have

decided to renovate and upgrade the facilities of Hung Hom Peninsula. The Group is expected to realize a satisfactory return from the project.

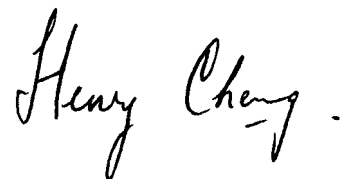
Overall, building on our professional management team and international standards of corporate governance, I am confident that the Group will continue to expand rapidly.

Corporate social responsibility and corporate governance

NWS Holdings has established a Corporate Social Responsibility Committee for formulating policies on community and environmental initiatives. Our sustained commitment to community care has gained wholehearted support from all our staff, and their enthusiasm in serving the needy through NWS Volunteer Alliance has won widespread recognition. Emphasizing prudent and transparent management, and integrity and fair play, we strive to enhance shareholder value and customer value as well as to constantly invest in human capital. In addition to providing intensive training for our middle management and operational staff, we will focus on sharpening the management skills and broadening the vision of our senior executives.

My heartfelt appreciation

I am grateful for the efforts that all our staff have devoted to delivering the excellent services and building a strong brand along the way. We will continue to share our fruitful results with them by rewarding outstanding performers. Their dedication and hard work will certainly remain the cornerstone of the Group's long-term prosperity.



Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 5 October 2005