

# Corporate Governance

**NWS Holdings continues to be committed to achieving high standards of corporate governance practices. It recognizes the importance of having in place a set of well-defined corporate governance processes to enhance corporate performance and accountability.**

In view of the new Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules that became effective in January 2005, the Company has taken steps not only to comply with the code provisions as set out in the said code but also with the aim to enhance a better corporate governance practices of the Group as a whole.

## The Board

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board currently consists of 13 members whose details are set out on pages 10 and 11. It meets quarterly and holds specific meetings as and when they are deemed necessary. The Board held five

meetings during the year ended 30 June 2005. A record of the directors' attendance at Board meetings is set out on page 15 of this report.

The Group provides extensive background information about its history, mission and businesses to its directors. The directors are also provided the opportunity to visit the Group's operational facilities and meet with the management to gain a better understanding of its business operations.

The Board has separate and independent access to the senior management and the Company Secretary at all times. The Board also has access to independent professional advice where appropriate.

The Company has arranged for appropriate liability insurance for the directors of the Group for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

In order to reinforce their respective independence, accountability and area of responsibility, the role of the Chairman is separated from that of the Chief Executive Officer. Their respective responsibilities are clearly established and set out in writing. The Chairman leads the Board and is responsible for the Board's workings and proceedings, while the Chief Executive Officer is responsible for implementing the Group's strategies and policies and for conducting the Group's businesses.

Pursuant to the bye-laws of the Company, one-third of the directors that have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years. For enhancing the accountability, any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders.

Pursuant to the requirement of the Listing Rules, the Company has received a written confirmation from each of the independent non-executive directors of his independence to the Company. The Company considers all its independent non-executive directors to be independent.

## Board Committees

The Board has established four committees, each of them having specific terms of reference, to consider matters relating to specialized areas and to advise the Board or, where appropriate, to decide on behalf of the Board on such matters. Details of these committees and their principal terms of reference are as follows:

### Executive Committee

The main responsibilities of the Executive Committee of the Board, comprising all executive directors of the Company, are to develop and recommend to the Board overall strategy for the Group, to consider and approve investments and divestments, as well as to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board.

The Executive Committee met regularly with members' average attendance rate of over 78% for the year ended 30 June 2005. Current members of the Executive Committee are:

Dr Cheng Kar Shun, Henry  
(*Committee Chairman*)  
Mr Doo Wai Hoi, William  
Mr Chan Kam Ling  
Mr Tsang Yam Pui  
Mr Wong Kwok Kin, Andrew  
Mr Lam Wai Hon, Patrick  
Mr Cheung Chin Cheung

### Audit Committee

The Audit Committee is appointed by the Board from amongst the non-executive directors of the Company with the majority of the members being independent non-executive directors. Current members of the Audit Committee are:

Mr Kwong Che Keung, Gordon  
(*Committee Chairman*)  
Mr Cheng Wai Chee, Christopher  
Mr Shek Lai Him, Abraham  
Mr Dominic Lai

The main responsibilities of the Audit Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance and business and financial risk management. The Audit Committee reports to the Board on the audits undertaken by the external and internal auditors, the adequacy of disclosure of information and the appropriateness and quality of the internal control systems. It reviews the interim and annual financial statements with management and external auditors, and reviews and approves the annual audit plans for the external and internal auditors. It makes recommendations to the Board on the appointment and re-appointment of the external auditors and is also tasked to evaluate the cost effectiveness of audits, the independence and

objectivity of the external auditors, and the nature and extent of the non-audit services provided by the external auditors.

The terms of reference of the Audit Committee have been revised to meet the requirements set out in the Code on Corporate Governance Practices (effective 1 January 2005) contained in Appendix 14 to the Listing Rules.

The Audit Committee meets at least twice a year, while at least once a year it meets with the external auditors without executive directors being present. An attendance record of its members at Audit Committee meetings is set out on page 15 of this report.

The Audit Committee reviewed the audited financial results of the Group for the year end 30 June 2005 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control systems and made recommendations to the Board.

### Remuneration Committee

The Company's Remuneration Committee was established on 11 July 2005 and is composed of two executive directors and three independent non-executive directors of the Company. Current members of the Remuneration Committee are:

Mr Chan Kam Ling  
(*Committee Chairman*)  
Mr Lam Wai Hon, Patrick  
Mr Kwong Che Keung, Gordon  
Mr Cheng Wai Chee, Christopher  
Mr Shek Lai Him, Abraham

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The main responsibilities of the Remuneration Committee are to review the Group's remuneration policies, determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board of the remuneration of non-executive directors.

## Corporate Social Responsibility Committee ("CSR Committee")

The CSR Committee was set up by the Board on 15 October 2004 and is composed of two executive directors and a non-executive directors of the Company. Current members of the CSR Committee are:

Mr Tsang Yam Pui  
*(Committee Chairman)*  
Mr Lam Wai Hon, Patrick  
Mr Dominic Lai

The CSR Committee meets at least once a year and is responsible for formulating the social responsibilities strategies and policies of the Group, overseeing the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities.

## Internal Control

It is the responsibility of the Board to ensure the effectiveness of the system of internal control of the Group, including financial, operational and compliance controls and risk management function, and report to shareholders.

The Company has established policies and procedures applicable to all business units to guide their operations. All business units are required to produce annual budgets for approval by the Executive Committee. The heads of all business units are required to assess the risk factors attributed to their businesses during the planning stage. Monthly financial reports are required to be submitted by all business units.

The Company established the Group Audit & Management Services Department with adequate staffing and resources to perform internal audit for the Group. It is responsible for the review of the Group's internal control systems, operational efficiency and compliance with the laid down policies on a regular basis.

A Business Management Department was established by the Company during the year focusing on the risk management and performance evaluation and improvement of the business units of Service & Rental division. It is one of the Company's objectives of enhancing the effectiveness of its system of internal control.

## External Auditors

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditors subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meeting. The Audit Committee assesses the external auditors, taking into account factors such as the performance and quality of the audit and the objectivity and independence of auditors. The existing auditors of the Company are PricewaterhouseCoopers who were first appointed in 2000.

## Code of Best Practice

With the exception that non-executive directors of the Company have no set term of office but retire from office on a rotational basis in accordance with the bye-laws of the Company, the Company has complied throughout the year ended 30 June 2005 with the Code of Best Practice contained in Appendix 14 (which was applicable during the year) to the Listing Rules.

The Code of Best Practice contained in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices with effect from 1 January 2005 and the new code will apply for subsequent reporting periods.

## Model Code for Securities Transactions by Directors

The Company 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. Having made specific enquiry of all directors, they had complied with the required standards of the said code during the year.

## Shareholders' Rights

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Chairmen of the various Board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditors are also invited to attend the Company's annual general meetings and are available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

## Investor Relations

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. Our Corporate Communication Department manages investor relations and has a series of events planned during the year to brief the media and investment analysts on the Group's performance. It frequently communicates with investors on a regular basis and responds to all their queries. It also organizes roadshows targeted at international investors and distributes

Company news via an e-news alert system to keep all investors informed of the latest Company developments.

To promote effective communication with the public at large, the Company maintains a website on which comprehensive information about the Company, its major businesses, financial information and particulars of directors are posted. The Company's publications, including press releases, announcements, annual and interim reports, shareholders circulars, as well as quarterly Company newsletter, are being made available on its website.

## Directors' Attendance at Board and Audit Committee Meetings

	Board Meetings	Audit Committee Meetings
Total number of meetings held during the year ended 30 June 2005	5	3
Number of meetings attended:		
Dr Cheng Kar Shun, Henry	4	N/A
Mr Doo Wai Hoi, William	5	N/A
Mr Chan Kam Ling	5	N/A
Mr Tsang Yam Pui	5	N/A
Mr Wong Kwok Kin, Andrew	5	N/A
Mr Lam Wai Hon, Patrick	5	N/A
Mr Cheung Chin Cheung	4	N/A
Mr Wilfried Ernst Kaffenberger	4	N/A
Mr To Hin Tsun, Gerald	5	N/A
Mr Dominic Lai	4	3
Mr Kwong Che Keung, Gordon	5	3
Mr Cheng Wai Chee, Christopher	4	1
Mr Shek Lai Him, Abraham	2	2