services

New World Services Limited ("NWS"), the Group's 51%-owned service arm, provides a diverse range of services with its businesses grouped under four main divisions: Contracting and Engineering, Facilities Manangement, Transport, Financial and Environmental Services. During the year under review, NWS reported a 3.6% increase in net profit to HK$848.7 million.

All operations of NWS faced a difficult economic environment throughout the year. Nevertheless, it achieved a net profit of 7.3% despite the highly competitive nature of the services industry. The diversity of its operations has helped this division weather the economic downturn, with subsidiaries that post growth compensating for businesses facing difficulties. This synergy helps to provide stability in maintaining profitability.

Contracting and Engineering

Despite the depressed construction market in Hong Kong, the Contracting and Engineering segments reported a 7.8% increase in profit. This performance reflected the success of cost control measures implemented during the year.

As at 30 June 2002, contracts on hand for Hip Hing amounted to HK$20,000 million. Key contracts awarded included a URA redevelopment at Kennedy Town, the redevelopment of Lei Muk Shue Estate Phase 3, a residential development at Taikoo Valley Site V, and a residential redevelopment at Sha Tong Road in Tai Po. In addition, we won a foundation works contract at KIL 11118 King's Park, the Alexandra House renovation, a residential development at 6-10 Black's Link, District #44 of Tseung Kwan O, Hong Kong Disneyland and the AIG Building on the former Furama Hotel site.

In order to increase competitiveness, our engineering services businesses under NWS – Young's Engineering Holdings Limited, Tridant Engineering Company Limited and Far East Engineering Services Limited – merged in December 2001 to form NWS Engineering Limited. As at June 2002, contracts on hand amounted to HK$4,897 million.

Right: New World First Ferry operates nine routes serving outlying islands and the inner harbour.


新輝柒 FIRST FERRY VII

Rhythm Garden in Choi Hung was built by Hip Hing, our construction arm. We won a prestigious award here for outstanding performance in safety, quality and environmental management.

Facilities Management

The impact of the September 11 event led to lower occupancy at the Hong Kong Convention & Exhibition Centre ("HKCEC"). To maintain profitability and to respond to the current business climate, this segment is taking a highly flexible approach to event proposals. Efforts are underway to attract international organisers and to build the HKCEC's exhibition portfolio. The Facilities Management segment is also streamlining the HKCEC workforce and implementing a range of energy-reducing measures. For the year under review, the HKCEC hosted over 2,200 events, including 1,500 events utilizing the core exhibition areas. The average occupancy rate for the year was approximately 50%.

The other Facilities Management businesses – property management as well as security and guarding – reported lower margins under the current economic environment, although Urban Property Management Limited ("UPML"), Hong Kong's market leader in property management recorded increased turnover. UPML currently manages 144,600 household units and 14 million sq. ft. of commercial/industrial properties.

In the coming year, the Facilities Management segment will focus on cost containment and new business opportunities offered by the Government's growing emphasis on outsourcing. UPML has recently launched its "Urban Premier Management Model", a new concept that integrates people, process and technological excellence to enhance service quality.

A special highlight during the year was the MTRC's award of a HK$300 million cleaning service contract to Wai Hong Cleaning and Pest Control Co Ltd. ("Wai Hong"). Wai Hong also entered the waste management business during the year in anticipation of the Government's increased emphasis on outsourcing and privatization of municipal works.

Transport

The Transport segment achieved stable growth in turnover and improved profitability due to vigorous cost-saving measures, falling fuel prices and declining interest rates. During the year, New World First Bus ("NWFB") continued to expand its network. With the successful addition of eight new routes, including four new routes serving Tseung Kwan O

New World First Bus continued to expand its network and increase passenger volumes during the year.

New Town, NWFB operated a total of 100 routes as at 30 June 2002. Passenger volumes grew steadily during the year too. To benefit loyal customers, NWFB has introduced extensive Bus-to-Bus-Interchange schemes that offer fare discounts to passengers when connecting from one designated NWFB route to another. NWFB Bus-to-Bus-Interchange schemes now cover over half of the routes within the network.

New World First Ferry ("NWFF") operated a total of nine routes serving outlying islands and inner harbour routes as at 30 June 2002. Two new high-speed vessels commenced services during the year under review to cater for increased passenger volumes. The NWFF (Macau) fleet will be significantly strengthened when three high-speed catamarans come into service in October 2002. With increased passenger traffic and improved operational efficiency, results for the Group's ferry service operators in both Hong Kong and Macau have achieved a marked improvement.

Financial and Environmental Services

The Financial and Environmental Services segments provide an extremely wide range of services. The Environmental Services segment is active in landscape design, maintenance services, landfill technology and other services. The Financial Services segment offers integrated financial services including share registration, secretarial and accounting services, and insurance brokerage. In January 2002, the Financial segment acquired Tengis Limited through Tricor Holdings Limited, which is under the process of being merged with Secretaries Limited to allow for greater cost savings and more efficient use of resources. NWS has equity interest of 23% in this investment. Both segments recorded moderate earnings growth during the year.