

Service





NWFB serves the Hong Kong, Kowloon and New Territories mass transit network with 100 routes and 769 buses.

On 29 January 2003, we successfully completed the reorganisation of NWS Holdings Limited (“NWSH”) (formerly known as Pacific Ports Company Limited), New World Services Limited and New World Infrastructure Limited (“NWI”). The reorganisation unlocked hidden potential of each of the three companies and it created greater business focus, streamlined organisation structure and provided a better alignment of assets, cashflow and liabilities for the Group. The newly “created” NWSH will hold the Group’s service, infrastructure and ports businesses and be the vehicle for future investments in these sectors.

The Group’s Service operations were presented with a great challenge this financial year. The profit declined when compared to the previous year due to a number of factors.

Each division faced its own set of challenges over the year. The Facilities Division was hit by a downturn in Hong Kong economic activities and the cancellation and postponement of exhibitions caused by SARS. The Contracting Division faced a decline in construction activity as a result of the poor economic

climate and a slump in the property market. The Transport Division witnessed a profit decline due to a reduction in local travel related to SARS and competition from other modes of transportation. The Financial and Environmental Divisions maintained their contribution levels; however these businesses represented only a small part of the operations.

SARS Impact

The unforeseeable outbreak of SARS in March 2003 had a dramatic impact on all levels of city life. The SARS’s grip on Hong Kong slackened in late June 2003. It was not until July 2003 before social activities regained momentum and the promotion efforts of the Hong Kong Government had an effect.

The financial impact of SARS on the profitability of the Group’s Service operations was material. Nonetheless, nine strong months of operation prior to SARS dampened the negative effect. While it is hard to quantify the extent of the SARS related loss, the profit drop was about HK\$150 million.

Facilities Division

Hong Kong Convention & Exhibition Centre (“HKCEC”) attained a satisfactory result despite the fact that many planned exhibitions, events, functions and banquets were either postponed or cancelled due to SARS, and food and beverage revenue was cutback as customers refrained from dining out. Some 168 planned exhibitions, events, corporate functions and banquets were cancelled while 89 were rescheduled to beyond June 2003. Budgeted revenue from these businesses was either



HKCEC is one of the world's most impressive, efficient and functional meeting and exhibition venues.

drained or deferred. Due to tough and decisive cost saving measures and business recovery actions taken by HKCEC, the performance was not as adversely affected as forecasted.

Most of the other facility management and customer related service companies, such as property management, security and guarding and cleaning service companies delivered solid results. Only the laundry service was severely impacted by SARS. Urban Property Management Group (“UPML”) and Wai Hong Cleaning Group out-performed their forecasted budgets and yielded exceptional results. UPML’s strong management team maintained its profile as an award-winning subsidiary. This year, UPML won the respected HKMA Quality Award as an Overall Winner as well as being one of the ten named Best Employers in Hong Kong by Hewitt Associates.

Contracting Division

The contribution from the Contracting Division was under pressure due to an economic downturn that decreased development activity in the public and private property market.

Though infrastructure development in Hong Kong continued, the pace was not enough to counter the low level of tenders, a decrease in capital expenditures and a drawback on public expenditures. This had a particularly strong impact on the housing sector, where contracting opportunities were reduced. Hong Kong contracting suffered a 28% drop in 2002 compared to the 1997 peak. In terms of building construction, a 37% decrease in activities was noted in FY2003 compared to 1997.

Total contracts on hand at the end of the financial year reached HK\$25 billion, with about 32% secured from government, semi-government or institutional clients, 46% from private clients and the remaining 22% from the Group’s companies. Geographically, 14% of these contracts were sourced from Mainland China while 86% were secured in Hong Kong. The value to be completed in FY2004 is HK\$13.6 billion.

Transport Division

The Transport Division posted a decreased contribution for FY2003, mainly attributable to business setbacks during SARS.

New World First Bus Services Limited (“NWFB”) serves the Hong Kong, Kowloon and New Territories mass transit network with 100 routes and 769 buses. NWFB contributed to the Transport Division’s profitability, though business was affected by commencement of the MTR Tseung Kwan O Line (“TKO Line”). Customer flows dropped dramatically along the bus routes adjacent to TKO Line since September 2002, despite efforts to reorganise the bus network in a competitive manner.

New World First Ferry Services Limited (“NWFF”) and New World First Ferry Services (Macau) Limited (“NWFF(M)”) provide a fleet of 33 vessels to serve 11 routes, including the much-travelled Hong Kong–Macau destination.

SARS took its toll on operations from mid-March 2003 and erased a substantial contribution from NWFB and NWFF(M). Average daily customer flows for both NWFB and NWFF(M) dropped by some 20% and 58% respectively, compared to the period prior to the SARS outbreak.

Financial and Environmental Divisions

The Financial Division overcame market volatility to produce a constant result. New World Insurance Management Limited registered encouraging performance while the newly acquired corporate secretarial service group Tricor Holdings Limited made a solid contribution.

The Environmental Division delivered a stable performance. Hong Kong Island Landscape Company Limited (“HKIL”), a gardening and landscaping contracting service company that supplies and maintains plants for corporate and retail clients, performed well. Though the scale of operations is relatively small, HKIL provided a steady contribution and expanded its business through aggressive marketing.



NWFF & NWFF(M) operate 11 routes serving outlying Islands and the inner harbour routes and also provide ferry service between Hong Kong and Macau.