

Service

After the end of the SARS crisis, Hong Kong enjoyed a fast-paced recovery during the second half of 2003. With strong support from the Central Government — seen in measures such as the endorsement of CEPA and the lifting of travel restrictions on Mainlanders wishing to visit Hong Kong — the majority of service operations have benefited from the ensuing economic revival. The overall performance of service operations for FY2004 was satisfactory.

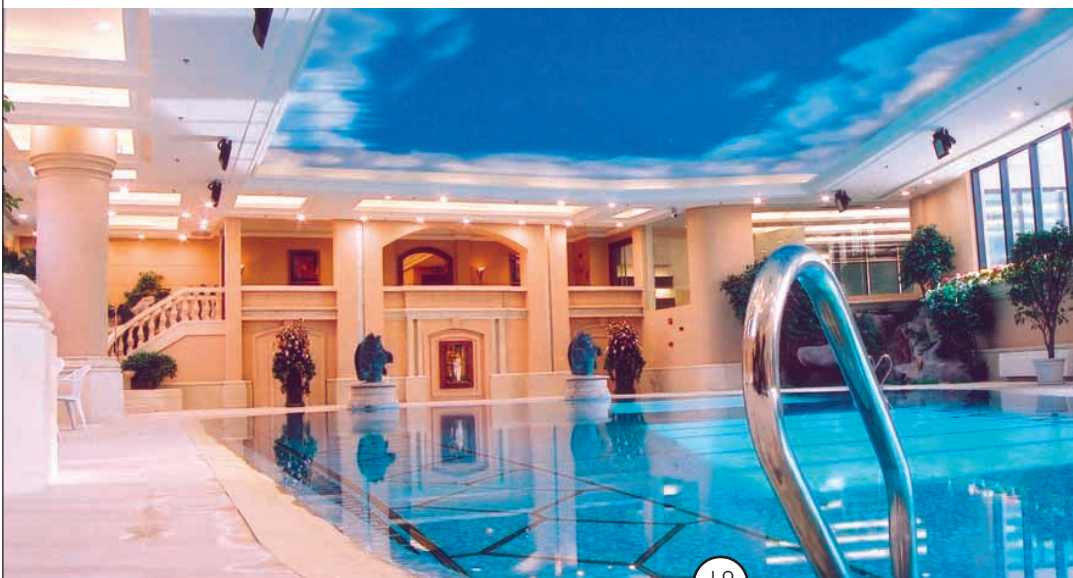


NWSH's service division manages HKCEC, where most of Hong Kong's biggest trade shows are hosted every year.

HKCEC achieved an encouraging result mainly due to the quick economic recovery in tourism, retail, and consumer related businesses, as well as from the spill-over effect of the post-SARS business rescheduling of many exhibitions and conventions. The occupancy of the HKCEC for the year was comparable to those previous years when mega functions such as ITU — Telecom Asia were held. The Group is discussing with the Trade Development Council on the possible cooperation of HKCEC Atrium Link Extension.

Property management produced a satisfactory result. As at 30 June 2004, Urban Property Management managed a total of 20 million sq. ft. of commercial/industrial areas, 180,000 residential flats, and 33,000 car park spaces. Kiu Lok Service Management Company Limited achieved sound results, mainly attributable to the improved activities in the Mainland China agency and property management businesses.

Sky Connection Limited, which retails duty free tobacco and liquor at Hong Kong International Airport and ferry terminals, delivered satisfactory results.



The first-class management services at the clubhouse of Dalian Manhattan Towers are provided by Kiu Lok, a property management unit of NWSH.

Hong Kong construction operations faced a tough environment due to a shrinking property construction market and intense competition among major players. Hip Hing's total contracts on hand at the end of the financial year was HK\$17.4 billion with HK\$11.4 billion representing the total value accruing upon completion of these projects. Hip Hing and NWS Engineering Group each has set up a wholly foreign owned enterprise ("WFOE") in Beijing to compete for local contracting projects. Hip Hing also took a 10% interest in one of the largest construction groups in Mainland China, namely 中建三局建築股份有限公司 (unofficial translation being China Construction Third Engineering Bureau Co., Ltd.).

The Group's transport operations have yet to regain their profitability back to the pre-SARS level. The dramatic increase in oil prices and competition from other modes of transport have further affected their profitability. Under a business reorganization carried out this year, Chow Tai Fook Enterprises Limited and the Group established a joint venture company, Merryhill Group Limited that encompasses all the transport and related businesses of New World First Holdings Group and Citybus Group.

The Group's investment in Kunming bus service, which commenced business in early 2004, made an immediate profit contribution. The direct investment in a public transport operation in Kunming underlines our determination to invest across the border.



NWFB is a part of Merryhill Group, an NWSH's joint-venture that operates an extensive network of bus and ferry services in Hong Kong.