

OUTLOOK

With the encouraging atmosphere arising from the PRC's imminent entry into the WTO, the winning of the hosting right of the 2008 Olympic Games by Beijing and the Great Development of Mid-West China, the PRC will undoubtedly speed up its economic reform, stimulate its lackluster property market and further open up its market. All these make the PRC present infinite opportunities for local and foreign enterprises.

Shanghai Construction (Group) General Co, a state-owned enterprise and the largest shareholder of the Group, is one of the largest construction companies in the PRC. With the support of and coordination by its major shareholder, the Group no doubt has a competitive edge and will enjoy much benefit in its expansion to the PRC market over other construction companies in Hong Kong. The Group is striving to establish a presence in the PRC market by strengthening its efforts in bidding for contracts there.

On the other hand, being based in Hong Kong where it maintains a leading position in the construction industry, our business in Hong Kong will never be given up. The top priorities of the Group are to speed up and ensure the progress of its construction projects, solve the financial problems which previously delayed the construction works and restore the industry's confidence in us. Meanwhile, the Group participates again in bidding for new construction projects in Hong Kong, making its best efforts to undertake new projects.

Financially, for repayment of its debts, the Group is speeding up its asset realization and identifying buyers from various sources. We are also striving for an earlier completion of the financial restructuring in order to secure future bank borrowings.

In view of the current political upheaval and negative investment sentiments, the Group is expected to undergo a challenging operating environment in the second half of the year. Nevertheless, the Directors believe that an internal consolidation, increased operating efficiency and the new leadership will improve the results and performance of the Company in the foreseeable future.