

SOBC is one of the five contractors selected for inclusion in the HKHA's Premier League. Under this arrangement, League members should enjoy better tendering opportunities in the design-and-build as well as in certain complex job categories. As yet, no such contract has been made available for tender. The HKHA also accepted the recommendations put forward by the Construction Industry Reform Committee in 2001 and adopted the policy of awarding contracts based not just on tender prices, but also on the past performance of contractors. In the future, SOBC, with its consistent record of quality work, should benefit from this new policy. To date, it has not benefited because competition has been extremely fierce, and recently, some tenders were made at such unrealistically low prices that we can see no way in which the successful tenders will generate profits.

Other Government and Institutional Buildings – Shui On Construction (SOC)

Two contracts for the Public Health Laboratory Centre at Nam Cheong Street and the redevelopment of Castle Peak Hospital Phase II Stage 1 were completed for the Architectural Services Department. Our good performance



Castle Peak Hospital Redevelopment Phase II Stage 1

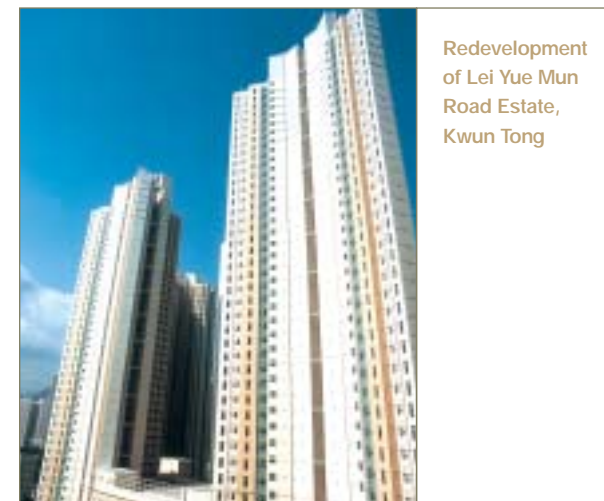
on the two previous Castle Peak Hospital projects has earned us a further assignment to develop Phase II Stage 2 of this hospital. With the completion of large scale public housing development projects in the past few years, a comprehensive programme for constructing ancillary and infrastructural facilities would be required, and there are signs that the long-awaited works to provide educational, recreational, health and other government facilities will come on stream in the near future. SOC has had some success in these areas, including winning recently a design-and-build contract for four schools. During the year, SOC has also been licensed by the ASD to carry out repair and renovation works to historical buildings. Competitive tenders were submitted in April and May 2002 on two major ASD projects, one of which, on the construction of Phase I C of the Science Park in Tai Po, was subsequently confirmed.

Health, Safety and the Environment

In 2001, SOCAM launched the "Polluter Pays" scheme which, with the support of site workers and sub-contractors, helped to improve the cleanliness of construction sites.

SOCAM continued to actively support activities organized by the Occupational Safety and Health Council and the Labour Department in promoting workplace safety. More than 20 Shui On staff members were appointed Occupational Safety Ambassadors to promote the culture of occupational safety and health.

Recognition received by SOCAM during the year included numerous gold awards at the Safe Working Cycle Forum and Occupational Safety and Health Enhancement Forum 2001,



Redevelopment of Lei Yue Mun Road Estate, Kwun Tong

the Safety Achievement Awards from the Hong Kong Construction Association, as well as the Safety Team Gold Award of the Construction Industry Safety Awards.

Your Group strives to protect the environment by adopting sound environmental management measures in its daily operations. It is SOCAM's policy to conserve resources and reduce waste and pollution through strict control and continuous improvement. As a result, SOCAM won all three "Green Contractor" Gold Awards from the ASD. The site of Hong Ning Road Departmental Quarters also received the Certificate of Merit for "Green Construction Contractor" at the Hong Kong Eco-Business Awards 2001.

Regarding occupational safety, SOCAM maintained a very low accident rate with a further drop of 10% to 35/1000 recorded in 2001 as a result of the joint effort of management and site staff.

Renovation and Fitting-Out (Pat Davie)

With the depressed property and office markets, sizable renovation and fitting-out works became rare as property owners and corporations were mindful of cost cutting and existing tenants were often offered attractive rates in rental revision to extend leases. The total value of new contracts completed declined further from HK\$330 million last year to HK\$209 million. Pat Davie's expertise in educational institute

works helped add a number of important alteration and fitting-out projects to its portfolio, including contracts aggregating HK\$106 million from the City University of Hong Kong and the Hong Kong Polytechnic University. Decoration works for the Homantin Exhibition Centre were completed on time. In May 2002, a major renovation contract for the Mandarin Hotel commenced and its satisfactory completion should provide Pat Davie with further tendering opportunities in the luxury hotel sector. Pat Davie is actively exploring expansion in the fast growing Shanghai market, capitalizing on connections and experience accumulated as a result of the private group's substantial presence there.

Contracts on hand

Despite the adverse market environment, the gross and outstanding value of contracts on hand of the Construction Division as of 30 June 2002 amounted to HK\$7.2 billion and HK\$4.0 billion respectively and represented workload for approximately two years.

Private Sector Participation Scheme (PSPS) Project

The 3,200 units in this development were completely sold out in February 2001. Following the granting of the occupation permit in April 2001, the HK\$2.0 billion project loan was fully repaid in May 2001. The commercial arcade was also disposed of in June 2001, while approximately 290 car parking spaces are now held for sale.

Under the existing government policy, it is unlikely PSPS projects will be made available in the foreseeable future. SOCAM will, nevertheless, closely monitor the situation.