

“In addition to developing high potential businesses in the Mainland, the Group has taken rigorous measures to enhance our competitiveness in Hong Kong.”

CHOI YUK KEUNG, LAWRENCE
MANAGING DIRECTOR



CONSTRUCTION IN HONG KONG

Turnover for the Construction Division decreased for the second year running, declining by 18% from HK\$3,545.9 million last year to HK\$2,916.3 million. Pre-tax profit, however, dropped even more significantly to HK\$81.8 million, representing a 61% reduction over the previous year. This result was to be expected, given the warnings made by your directors on the rapidly deteriorating industry conditions in the past year. The completion of the Tseung Kwan O PSPS project in the previous financial year, the adverse effect of the abrupt change in housing policy, the capping of annual Home Ownership Scheme sales to a significantly lower number, and the substantial reduction in public housing construction have been reflected in both the tender margins and in the shrinking order book. Market conditions for the construction industry in Hong Kong are not expected to improve in the foreseeable future.

However, in the past year your Group has taken rigorous measures to alleviate the decline in profits. These include, among others, a substantial reduction in salary cost, which our loyal staff supported, and the shifting of our tendering emphasis from the dwindling public housing market to the relatively larger pool of government contracts offered by the Architectural Services Department (ASD). We are also engaging in other smaller but less competitive building sectors. Such efforts should assist your Group in weathering the depressed state of the construction sector in the coming two years.



Po Lam Road Housing Development Phase 5, Tseung Kwan O

Public Housing – Shui On Building Contractors (SOBC)

During the year, public housing works carried out for the Hong Kong Housing Authority (HKHA) amounted to approximately HK\$1,971.4 million, equivalent to 68% of the Division's turnover. Projects completed included Tin Shui Wai Area 106 Phase I and Lei Yue Mun Road Estate, totaling 3,500 units. The 3,200 residential units in the Private Sector Participation Scheme project in Tseung Kwan O were handed over on schedule.

Only two new contracts, totaling approximately HK\$1,300 million and comprising 4,700 units, were won from the HKHA. Nevertheless, our attempt to actively participate in various maintenance term contracts has resulted in three such contracts being secured.