

REVIEW OF OPERATIONS

Over the passing months, the slowdown in the Hong Kong economy continued. The construction industry in the reporting period continued to be at a difficult time, as reflected by the decline in overall construction output.

Compared with the last corresponding one, the Group experienced increase in turnover in this period and remained busy in the pursuit of various projects in its wide spectrum of works. At the time of reporting, the Group's reckoned value of contracts in hand is at HK\$9.4 billion level, with about HK\$5.4 billion outstanding.

On building construction, "Grandeur Terrace", the Private Sector Participation Scheme development at Tin Shui Wai, "Palm Cove", a private 5-block residential development at Tuen Mun Town Lot 386, the proposed residential development at Tin Shui Wai Town Lot 27 and the private residential development at Nos. 80-90 Des Voeux Road West, were progressing well. Following our completion of the foundation works on the proposed residential development at NKIL 6275 West Kowloon Reclamation, the superstructure work had commenced and was also progressing well.

On civil construction, the Yam O Tuk Fresh Water Service Reservoir, part of the infrastructural development for phase I Hong Kong Disneyland, was proceeding on schedule. For the joint venture project on Mass Transit Railway Corporation ("MTRC") Tseung Kwan O extension, the tunnelling works of the Black Hill Tunnels was completed successfully and well ahead of schedule, enabling the extension to be opened to the public in August, 4-1/2 months in advance of the date MTRC committed to the Hong Kong SAR Government. Our quality performance completed within such a tight schedule was highly commended by the client, MTRC.

Regarding progress of the Kowloon – Canton Railway Corporation ("KCRC") contracts, the remaining works for the West Rail Viaducts were near completion, and the Tin Shui Wai Station was basically completed with remaining works progressing smoothly. Tracklaying for the West Rail was completed and trial runs successfully carried out. Tracklaying for the Ma On Shan Line had also started. As for KCRC Hung Hom Station modifications, after the opening for public use of the mid-level concourse, remaining works were proceeding well as planned. During the reporting period, the Public Transport Interchange at Tin Shui Wai Station was added to the Group's railway related contracts.

On foundation works, piling for the construction of two primary schools at Tin Shui Wai Area III and three schools at Fat Tseung Street, Sham Shui Po were completed, with superstructure works proceeding satisfactorily. As for the additional works for housing development on the Black Hill Tunnel site, the foundation and basement works were also substantially completed. Current works include the site formation and foundation works for the Proposed Residential Development at Tai Hang Road (Tiger Balm Garden), and the site formation and foundation works for the redevelopment of Pok Oi Hospital at Yuen Long.

On the maintenance front, the waterworks maintenance for Water Supplies Department on Hong Kong Island and Ap Lei Chau moved forward smoothly. The building maintenance works, including Architectural Services Department's Term Contract for Minor Works to Buildings and Lands and Other Properties, were also progressing smoothly. During the reporting period, a Water Supplies Department's term contract for Waterworks District Kowloon, from Lai Chi Kok to Kwun Tong, and two Housing Authority's District Term Contracts for the Maintenance and Vacant Flat Refurbishment for Hong Kong East District and Sham Shui Po District respectively were added to the Group's maintenance works.

As for the MTRC Choi Hung Park and Ride Development, foundation works within the tower portion were close to completion and works on the basement had commenced.

On electrical and mechanical ("E&M") works, the E&M installations by the Group's in-house E&M teams provided supports to the building team for satisfactory and smooth running of the building projects.

The Group's security business arm under City Security Company Limited continued to perform satisfactorily in its normal core operations in providing security services to construction sites and other premises.