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PREL 11.

Ref. 2525

21st September 1999

Hsin-Yieh Architects & Engineers Ltd.
13/F, China United Centre
28 Marble Road
North Point
Hong Kong

By Fax & By Post
(2564 2069)

Attention: Mr. Alfred Tam

Dear Sirs,

Tung Chung Station Development - Package Three
Superstructure Contracts - Areas 19 & 21
Pre-qualification Assessment of Tenderers

We refer to your letter of 7th September 1999 enclosing the documents submitted by the Contractors for pre-qualification assessment for the captioned Contracts and are pleased to report as follows:

1. Scope of the report

Our report is only confined to the financial details completed by the Contractors in Section 5.3 of the Pre-qualification Assessment Forms.

2. Contractors' submissions

2.1 Submissions from the following contractors were received from your office:

- (a) Hong Kong Construction (Holdings) Ltd.,
- (b) Paul Y. - ITC Construction Ltd.
- (c) Chun Wo Building Construction Ltd.,
- (d) Gammon Construction Ltd.

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2. Contractors' submissions (Cont'd)

2.1 (Cont'd)

- (e) Hsin Chong Construction Co., Ltd.
- (f) China Overseas Building Construction Ltd.,
- (g) B.F. Construction Co., Ltd.
- (h) Wing Hong Construction Ltd.,
- (i) Hyundai Engineering & Construction Co., Ltd.
- (j) China Resources Construction Co., Ltd.
- (k) Hien Lee Engineering Co., Ltd.

2.2 Please note that the names inserted in Section 5.1a of the Pre-qualification Assessment Forms of the following contractors differ from the names of the contractors listed in your letter dated 7th September 1999:

Names listed in your letter	Names in Pre-qualification Assessment Forms
Chun Wo Construction Ltd.	Chun Wo Building Construction Ltd.
Hsin Cheong Construction Ltd.	Hsin Chong Construction Co., Ltd.
Wing Hong Construction Co., Ltd.	Wing Hong Construction Ltd.

2.3 The contractors have duly completed Section 5.3 of the Pre-qualification Assessment Forms and have submitted the relevant information, except for the following in Section 5.0 of the Pre-qualification Assessment Forms:

- (a) Hong Kong Construction (Holdings) Ltd. have mistakenly stated their number of years experience as a "Sub-structure Contractor" instead of a "Superstructure Contractor" as required (Section 5.1e refers).
- (b) Hong Kong Construction (Holdings) Ltd. have not provided information on outstanding or unsettled claims (Section 5.3g refers).
- (c) Paul Y. - ITC Construction Ltd. have stated in Sections 5.3f and g that no significant litigation or arbitration or claims is outstanding or unsettled. They should be asked to clarify the meaning of "no significant".

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Pre-qualification
(cc-) 3.

(Cont'd)

2. Contractors' submissions (Cont'd)

2.3 (Cont'd)

- (d) Hsin Chong Construction Co., Ltd. have not provided their Annual Report 1999 (submitted subsequently via their letter ref. HC/TEN/99/0145 dated 17th September 1999).
- (e) China Overseas Building Construction Ltd. have mistakenly inserted HK\$1,202.00 in issued capital which should be HK\$1,020.00 (Section 5.3a refers).
- (f) B.F. Construction Co., Ltd. have not provided all the required financial information and we are therefore only able to assess their financial capabilities based on the information provided for 98/99 (subsequently confirmed the amount of their net current assets for 98/99 via their fax dated 22nd September 1999, but the annual projected value of works undertaken in 2000 is still outstanding).
- (g) Wing Hong Construction Ltd. have mistakenly inserted HK\$12.25M in reserves which should be HK\$10.81M (Section 5.3a refers).
- (h) Hien Lee Engineering Co., Ltd. have not provided information on their associated companies to be involved in this project, joint venture and outstanding or unsettled claims (Sections 5.1f, 5.2 & 5.3g refer).

3. Examination of Contractors

3.1 In assessing the financial capabilities of the contractors, we have taken the ratio of the individual contractor's working capital to his annual projected work value in Hong Kong and overseas in 2000 as the assessment criterion. Sufficient working capital has to be available for materials and equipment procurement as well as payment to sub-contractors. According to the Housing Department's figure, if the aforesaid ratio exceeds 6%, it is considered to be financially acceptable.

3.2 A Summary of the financial information is shown in the attached Appendix A.

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3. Examination of Contractors (Cont'd)

- 3.3 Based on the contractors' work in Hong Kong, all of the eleven contractors, have a ratio exceeding 6% which is considered to be financially acceptable (column (g) of Appendix A refers).
- 3.4 Taking into account the contractors' work overseas, Hong Kong Construction (Holdings) Ltd., China Overseas Building Construction Ltd. and Hyundai Engineering & Construction Co., Ltd. have all shown a ratio exceeding 6% and thus are considered to be financially acceptable (column (h) of Appendix A refers).

4. Recommendation

Based on the foregoing analysis, all of the eleven contractors referred to in Section 2.1 are considered financially capable of undertaking the superstructure works for Tung Chung Station Development Package Three.

However, in the light of the importance of this matter and as we are not professionally qualified to comment on the matter, it may be prudent to suggest to the Employer to seek advice from financial/accounting advisers.

Yours faithfully,

Original Signed by
Stephen Lai

Levett and Bailey

Encl.

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APPENDIX A

Tung Chung Station Development - Package Three
Superstructure Contracts - Areas 19 & 21
Pre-Qualification Assessment of Tenderers

Summary of Financial Information of Contractors

Contractor	Nett current assets as per latest audited account 98/99	Overdraft & other credit facilities	Total working capital	Annual projected value of construction works undertaken in 2000			Ratio	
	\$M	\$M	\$M	\$M (In HK)	\$M (Overseas)	\$M (Total)	% (H.K.)	% (Overall)
	(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (d) + (e)	(g) = (c)/(d)	(h) = (c)/(f)
Hong Kong Construction (Holdings) Ltd.	671.00	470.00	1,141.00	1,712.00	1,410.00	3,122.00	68.65	36.55
Paul Y. - ITC Construction Ltd.	88.37	21.77	110.14	1,017.00	-	1,017.00	10.83	10.83
Chun Wo Building Construction Ltd.	160.37	311.75	472.12	3,545.00	-	3,545.00	13.32	13.32
Gammon Construction Ltd.	828.00	39.00	867.00	7,687.00	-	7,687.00	11.28	11.28
Hsin Chong Construction Co., Ltd.	1,077.23	545.00	1,622.23	3,300.00	-	3,300.00	49.16	49.16
China Overseas Building Construction Ltd.	634.05	436.10	1,070.15	1,263.18	255.06	1,518.24	84.72	70.49
B.F. Construction Co., Ltd.	224.72 (1)	-	224.72 (1)	1,788.00 (2)	-	1,788.00 (2)	12.57	12.57
Wing Hong Construction Ltd.	28.18	44.50	72.68	860.00	-	860.00	8.45	8.45
Hyundai Engineering & Construction Co., Ltd.	8,720.86	36,202.88	45,011.74	7,800.00	63,289.20	71,089.20	577.07	63.32
China Resources Construction Co., Ltd.	190.84	165.00	355.84	1,100.00	-	1,100.00	32.35	32.35
Hien Lee Engineering Co., Ltd.	39.68	40.00	79.68	300.00	-	300.00	26.56	26.56

Remarks :

(1) Management account only. No audited account available.

(2) Figures for 2000 not submitted. Figures for 1999 used in lieu.