

AL MADINA A'ZARQA

THE BLUE CITY OMAN

PHASE 1 – DEVELOPMENT



CONSTRUCTION REPORT NO. 5

16 April 2008

2 EXECUTIVE SUMMARY

This Executive Summary aims to highlight the key items of activity in Quarter 5 from the 1st January 2008 to 31st March 2008. It will also provide a concise summary of the current status of the project.

Master Planning and Architecture:

The first three sections that are programmed for early construction have completed the stages of preliminary design and preparation of Sales collaterals for the Apartments is completed. The Hotels forming part of these sections are also at an advanced stage of Preliminary Design.

While aiming to remain within the MSP and GMP (Maximum Sectional Price and Guaranteed Maximum Price) costs parameters and observing the overall project schedule, designs for the two Residential Sections which were the first components of the Project to be offered in the market had the following characteristics:

1. The concept of the buildings is based on the historic precepts of Omani Architecture incorporating modern notions such as energy conservation and sustainability. The interior of the buildings are simple and modern of a suitably high standard arranged to follow the Islamic principles of privacy.
2. The apartments in their simple sophistication will be unrivalled in Oman and the Region and are designed to maximize their appeal to discerning local, regional and international buyers.
3. The streetscape and the buildings will be of human scale with buildings incorporating series of private and public spaces (courtyards/public space/play spaces) that have resonance in Omani culture.

Construction:

A project of the scope and size of Phase 1 of the Blue City requires careful mobilization, preliminary works and preparation and planning at all levels. Most of the work carried out to date, therefore, has been in relation to temporary and enabling works. These have included construction of access roads and site residential and office facilities, selection and appointment of Design and other Consultants for Permanent Works, procurement of Construction Plant and Equipment, appointment of various Specialist and General Sub-contractors and various studies like topographic survey, soil testing and trials on soil improvement.

The Contractor has completed the construction of approximately 4.5 km of temporary access road and 4 km of permanent access road has been laid which is now functional. Appropriate signs have been erected and more fencing and sign boards have been installed. Construction and installation of the Contractor's Pioneer Camp capable of accommodating and supporting up to 200 staff, complete with generators and all other appropriate utilities and facilities has been completed and the Camp is currently operational. Extensive work is in progress for the Construction of the Main Camp which will accommodate and support up to 6500 workers in addition to various works related yards and facilities and is scheduled for completion by May 2008. Parts of the Main Camp are already occupied by the Contractor's increasing work force.

Over the next few months, we expect design activities to continue and the enabling works to complete in order to allow actual start of construction of the first sections by the end of May 2008. The first sections of permanent works shall include a hotel and residential units along with leisure and amenities.

Organisation & Mobilisation:

All organizations in some way involved in the delivery of the Project have been progressing significantly with their mobilizations in Muscat and at the Site level. Principal amongst these have been the Project Company (BCC1), The Contractor (AECO) and the Engineer (ACE).

The core professional and administrative personnel currently deployed within BCC1 is now approaching 40 in total. Professional and experienced personnel provided by Bovis Lendlease form approximately a third of this workforce and the balance are directly employed staff by BCC1 including 13 Omani nationals. BCC1 office facilities have been set up to support the staff and the activities of the Company and all Financial, HR , Documentation, Sales & Marketing and Project Management systems have been procured, developed and have all become operational.

The Contractor has also set up its operations at Site and in Muscat and today has a total direct staff of approximately 445 personnel deployed in Muscat and site including 78 Omanis with an approximate additional 233 sub-contractor workers including staff at site. The Engineer's Offices are also set up and fully operational. During the Design period, the Engineer's involvement is limited to review and approval processes and assessment and compliance related activities. To carry out these tasks, the Engineer has deployed a core staff of approximately 19 (including 3 Omanis) Engineers and specialists in Muscat who are supported by their other offices in the region as required. The Engineer's head count will rapidly grow as design input increase from the Contractor, site based activities increase and construction of the first Sections starts. The Engineer has appointed a four full time staff

including a HSE person stationed at site monitoring the progress of temporary works from a HSE and quality perspective.

Sales and Marketing:

Current status of the project and plans that are in progress have allowed BCC1 to achieve successful sales launches and timely generation of revenue from sales of residential units. The first launch of sales of Residential units was successfully achieved in November/ December 2007. The first sales launch included 400 apartments on the beachfront area and demonstrated the contemporary Arabic/ Omani architecture. The response was good and the revenue generated has exceeded the projections of the Financial Model base case by US \$ 18 million. The next launch of residential units is planned for April/ May 2008.