



俊和發展集團  
CHUN WO DEVELOPMENT HOLDINGS LIMITED

[For Immediate Release]

## CHUN WO ANNOUNCES 2014 INTERIM RESULTS

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**STRIVES TO ACHIEVE SUSTAINABLE GROWTH UPON INTRODUCTION OF NEW SHAREHOLDER**

### **HIGHLIGHTS**

- ✧ Revenue increases by 28% to HK\$3.97 billion
- ✧ Awarded seven new construction projects worth a total contract sum of approximately HK\$2.22 billion
- ✧ Total construction contracts value was estimated at HK\$30.02 billion, reaches Group's new record high
- ✧ Acquired a site at Tseng Choi Street, Tuen Mun at HK\$232.8 million for a residential & commercial composite development through a joint venture
- ✧ Continuously bolstered the Group's presence in Hong Kong and Southern China property markets
- ✧ The proposed introduction of China New Way as the future controlling shareholder in Chun Wo creates a win-win outcome for the sustainable development of both corporations

(Hong Kong, 28 November 2014) — **Chun Wo Development Holdings Limited** ("Chun Wo" or "the Group") (stock code: 00711) has announced its interim results for the six-month period ended 30 September 2014 (the "review period").

For the review period, Chun Wo recorded revenue of approximately HK\$3.97 billion, representing an increase of 28% over HK\$3.11 billion for the corresponding period of last year. Profit attributable to owners of the Company amounted to HK\$20.5 million.

### **New Controlling Shareholder**

Within the review period, the controlling shareholder of the Group has entered into a conditional sale and purchase agreement with China New Way Investment Limited ("China New Way") regarding the sale of 510,000,000 shares at HK\$1.099 per sale share to China New Way at a total consideration of HK\$560,490,000 on 10 September 2014. The sale shares represent approximately 46.70% of the issued share capital of the Group as at 20 October 2014. The completion of the sale and purchase agreement is conditional in all aspects upon fulfilment of some conditions precedent. Riding on Chun Wo's listing status in Hong Kong, China New Way is to exert its best efforts to grow the Group's two core businesses in the construction and property development sectors leveraging the network and resources of China New Way in Mainland China. Following completion of the transactions, the Group is to continue operating in construction and property development, its two major business segments, as well as other sectors including property investment, security and property management services. It also plans to gradually develop the construction work and property development business in overseas countries while maintaining its listing on the Main Board of the Hong Kong Stock Exchange.

**Mr. Dominic Pang, Chairman of Chun Wo** said, “We are all pleased that Chun Wo is entering a new phase of development under the stewardship of a new proposed shareholder. We will further bolster our standing by delivering projects that exemplify its commitment to excellence and capacity to deliver a wider breadth of services, whether they are major infrastructure and civil engineering undertakings or property developments across Mainland China and Hong Kong.”

### **Construction**

During the review period, the management has maintained its objective of leveraging opportunities created by infrastructure and urban development in Hong Kong. Having amassed extensive experience in the construction sector, and continuously strengthened its reputation, such competitive edges have enabled Chun Wo to consistently earn new contracts. As at the review period, the construction operation recorded revenue of approximately HK\$3.74 billion, representing year-on-year growth of 38% despite a slowdown in the tendering of government projects. Segmental profit rose by 79% over the last corresponding period, amounting to approximately HK\$59.9 million in the review period. Chun Wo has also sought to capitalise on its wide-ranging capabilities, submitting tenders for large-scale infrastructure projects, including tunnelling projects that are not only able to have higher profit margins but also further showcase the Group’s extensive expertise.

As at 30 September 2014, the total value of construction contracts was estimated at approximately HK\$30.02 billion, representing the Group’s new record high, in which approximately HK\$15.33 billion remains outstanding. In the review period, seven new projects were won, equivalent to a total contract sum of approximately HK\$2.22 billion, among which include a joint-venture contract for building the boundary crossing facilities, passenger clearance building and the public transport facilities for the Hong Kong-Shenzhen-Zhuhai-Macao Bridge in Hong Kong. This joint venture project alone represents a record-high contract sum – valued at approximately HK\$8.40 billion of which Chun Wo has a stake, and is emblematic of the confidence that the Group enjoys for undertaking such mammoth infrastructure developments.

Outside of Hong Kong, Chun Wo has continued to strengthen its presence in neighbouring Macau by securing several notable projects, including a contract with the leading gaming and entertainment resort facilities owner and developer, Melco Crown Entertainment Limited for the design, supply and installation work at Tree House and Adventure Gate, in Studio City Macau, Cotai. The Group has also secured a project about Construction Works for New Hangar with the authorities of the Macau International Airport in last financial year. Such opportunities will help further bolster the Group’s reputation in the enclave; opening the door to still more projects in the future.

### **Property Development**

Revenue derived from the property development business amounted to approximately HK\$53.2 million in the review period, compared with approximately HK\$262.3 million for the corresponding period of 2013. Segmental profit amounted to approximately HK\$1.4 million, compared with HK\$67.1 million for the same period last year. The declines are indicative of the closing of sales activities among the Group’s properties in Mainland China, whereas properties in Hong Kong are currently at preliminary stages of development. The projects in Hong Kong, which are situated in attractive locations with strong demand from home buyers, are expected to become good revenue streams for the Company upon completion.

In Hong Kong, the luxurious residential development at Kau To Shan, Sha Tin will begin site formation work in 2015 subsequent to approval from relevant authorities. The residential development on Tseng Choi Street, Tuen Mun, has achieved satisfactory progress, with demolition of existing buildings now in progress, and pre-sale activities are expected to commence as early as 2016. And also, the Group has applied for a Compulsory Sales Order for the industrial redevelopment project at Cheung Sha Wan, with a hearing scheduled in the first quarter of 2015.

In Mainland China, the Group has sought to sell the remaining flats of its projects in Shijiazhuang and Shanwei. As at the review period, 81% of units in Tower 8 and 100% of units in Tower 9 of “Arc De Royal” in Shijiazhuang have been sold. In respect of “Le Palais Royal” in Shanwei, 99% of residential units and 98% of shops have been sold as at the review period.

For overseas, construction of the “Reem Diamond”, a low-rise residential development in Abu Dhabi, United Arab Emirates, was completed in April 2014. Thus far, approximately half of the units available have been leased, contributing rental income of approximately HK\$5 million during the review period.

### **Outlook & Prospects**

The Hong Kong Government is expected to remain a significant source of construction projects in the coming years, as its Capital Works Reserve Fund is valued at an estimated HK\$78.7 billion as at 1 April 2014. Even though the pace of public tenders announced has recently slowed, the construction sector has flourished, and will likely continue to thrive driven by such major developments as the West Kowloon Cultural District, Energizing Kowloon East, Tuen Mun-Chek Lap Kok Link, Tuen Mun Western Bypass, and Central-Kowloon Route.

With regard to public housing projects, the Long-Term Housing Strategy Steering Committee has suggested the provision of 470,000 units within the coming decade. Given that 60% of this figure consists of public residences, there are expected to be more opportunities for Chun Wo to strengthen its presence in this housing segment.

With the construction industry is set to sustained growth, there remain ongoing challenges that are unlikely to dissipate in the immediate future. They include continuously rising operating costs and subcontractor fees, as well as a shortage of skilled labour. Consequently, the Group has been operating an elite training programme aimed at recruiting young talent, while talent retention initiatives have helped retain many of its top veterans and skilled workers. Another area of concern is the potential delay in the issuance of new contracts by the Hong Kong Government due to conflicts between various political parties. If such delays persist, the Group may encounter a marked slowdown in the construction industry from 2016 onwards.

As for the property development segment, the Group continues to focus on development opportunities within Southern China and Hong Kong. While priority will be given to smaller scale projects that can best optimise Chun Wo’s resources, this does not preclude the possibility of engaging in larger scale projects through joint ventures with potential partners. With its renowned technical expertise and ample construction resources, the Group has been approached by other developers seeking joint-ventures. Chun Wo will thoroughly examine such opportunities as it recognises that they represent ideal means for engaging in large-scale projects with lower risk as well as require less working capital.

Presently, Chun Wo has acquired a new plot of land in Tung Chung, which will add to its Hong Kong land bank. In Mainland China, the Group will continue to explore the possibility of developing Phase 3 of “Arc De Royal” in Shijiazhuang with a suitable partner, or alternatively, disposing of the property in its entirety to generate additional capital.

**Chun Wo Development Holdings Limited (Stock code: 00711)**

Chun Wo was founded in 1968 and was listed on the Main Board of the Hong Kong Stock Exchange in 1993. Apart from developing its core property development and construction businesses, Chun Wo has been diversifying its business into property investment, property management and security services in recent years. The projects are widely distributed in Hong Kong, Mainland China, Macau, Vietnam and the United Arab Emirates. Possessing the expertise required for large-scale integrated construction projects, the Group is capable of undertaking a wide range of activities which include civil engineering, building construction, foundation works, tunnel boring machine (“TBM”) technology, fitting out and interior design, electrical and mechanical engineering, track-work engineering and maintenance works. Its signature projects included the Central-Wan Chai Bypass, Guangzhou-Shenzhen-Hong Kong Express Rail Link and MTRC projects for the South Island Line and Shatin to Central Link. Chun Wo has also seized opportunities involving property development in the PRC, with presence in Shijiazhuang, Hebei Province; Shanwei, Guangdong Province; Yangzhou, Jiangsu Province and Shenyang, Liaoning Province.

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**Major New Projects Secured since 1 April 2014**

Project Name		Project Commencement Date	Expected Completion Date	Attributable Contract Value (HK\$ Million)
<b>Building Works</b>				
1	HK-Shenzen-Zhuhai-Macao Bridge HK Boundary Crossing Facilities, Passenger Clearance Building and Public Transport	Apr 2014	Nov 2016	1,680
2	Construction of Public Rental Housing Development at Lin Shing Road, Chai Wan	Jul 2014	Nov 2017	436
<b>Improvement Works</b>				
3	Specialist Contract for Design, Supply and Installation of Tree House and Adventure Gate, Studio City Macau, Cotai	Jul 2014	Mar 2015	66

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