



[For Immediate Release]

## CHUN WO DELIVERS RECORD HIGH REVENUE FOR THE SECOND CONSECUTIVE YEAR

### **HIGHLIGHTS**

- ◇ **Record high total revenue\*\* at HK\$5.2 billion, up 6.9% year-on-year, in FY2012/13**
- ◇ **Net profit surged by 48.6% to HK\$77.8 million, exceeding satisfactorily the goal of 10% growth per annum**
- ◇ **Expanded capabilities with new areas of expertise will open up new opportunities in the booming construction industry**
- ◇ **Good progress in seeking medium-to-long term opportunities in property development segment**
- ◇ **Annual dividend increased 75.0% to HK1.4 cents per share**

\*\* Total revenue refers to Group revenue and share of revenue of jointly controlled entities

(Hong Kong, 26 June 2013) — **Chun Wo Development Holdings Limited (“Chun Wo” or “the Group”) (stock code: 711)** announces its annual results for the year ended 31 March 2013. Following a strong performance from the Group’s property segment and a record order book from its Hong Kong construction segment, the Group achieved another year of record breaking total revenue and a strong net profit for the review year.

The Group achieved a record total revenue of approximately HK\$5.2 billion, of which HK\$1.4 billion was attributable to jointly controlled entities for the year ended 31 March 2013, up 6.9% compared to that of last year. The Group’s net profit surged by 48.6% year-on-year to HK\$77.8 million, exceeding satisfactorily the net profit growth goal of 10% per year that the Group previously set. Earnings per share rose by 39.4% to HK7.93 cents.

The Board has recommended the payment of a final dividend of HK1.4 cents per share, increased 75.0% from HK0.8 cent paid in the last corresponding period, representing an annual dividend payout ratio of approximately 17.5%.

**Mr. Dominic Pang, Chairman of Chun Wo**, said “Standing at the beginning of a new ‘golden era’, we are very glad to see that satisfactory performance in our two major business segments. On the construction front, our competitiveness in public sector tenders and the wide range of expertise are well-illustrated. We are in a prime position to compete strongly in this new era of demand. As for the property development side, we have already begun to investigate a number of potential property development projects in Hong Kong and Southern China. We expect further momentum in the years to come.”

## **Construction**

The year under review presented the Group's construction segment with a strong influx of new projects, the construction revenue, including share of jointly controlled entities, increased to HK\$4.3 billion for the year. The construction segment result for this financial year was approximately HK\$40.4 million (FY2011/12: HK\$57.3 million). During the year under review, the Group won over 19 new major contracts, bringing the Group's total construction contract value in hand to HK\$25.3 billion, of which HK\$12.3 billion remains outstanding. These figures represent increases of 23.4% and 20.6% respectively over the comparable figures as at 31 March 2012.

Newly won projects included important civil engineering contracts, such as the Diamond Hill to Kai Tak tunnels for the MTR Shatin to Central Link, along with significant waterworks projects that included a major term contract for waterworks in the eastern New Territories. The Group also won the biggest civil New Engineering Contract project ever awarded by the Hong Kong Government. Ongoing projects including a number of projects of MTR Corporation Limited ("MTRC"), the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Central-Wan Chai Bypass continued to make good progress.

The Group's construction segment performed particularly strongly in certain specialist areas, including but not limited to Tunnel Boring Machine used in tunnel construction, allowing the Group to involve in future large-scale projects that require a range of specialised skill sets.

## **Property Development**

The performance of property development segment remains satisfactory during the year under review. For the year ended 31 March 2013, the revenue of property development recorded a 74.8% increase from HK\$336.7 million to HK\$588.6 million. Segment profit rose 70.5% to HK\$122.9 million (FY2011/12: HK\$72.1 million).

During the year under review, the Group has made good progress in moving the focus of its property development business to Hong Kong and Southern China. In Hong Kong, the Group was actively seeking medium to long-term investment opportunities on a scale that matches the Group's resources and capabilities. The Group has looked very closely at an opportunity of acquiring an industrial building in West Kowloon for redevelopment. The Group was also looking at a range of industrial redevelopment projects in the West Kowloon area, which would involve less speculation than comparable residential projects. In Guangdong Province in the PRC, the Group has reviewed more than 10 potential projects with a view to investment, mostly small scale residential ones.

Despite the additional property cooling measures in the PRC, the Group's property development sales performance was satisfactory and ahead of last year's result. By the end of the financial year, 18% and 95% of units of Towers 8 and 9 respectively of the Group's "Arc de Royal" project in Shijiazhuang, Hebei Province had been sold. At "Le Palais Royal" in Shanwei, Guangdong Province, 89% of the residential units and 90% of the retail units had been sold as at 31 March 2013. In addition, the commercial land previously acquired by the Group in Shenyang, Liaoning Province, was sold at a profit.

## **Other businesses**

The Group's property investment business achieved satisfactory results in the year under review. Rental revenue at "Infinity 8" shopping mall at Choi Hung in Hong Kong rose 6% year on year. The Group is exploring the option of selling this asset, at the right price. Also, the Group disposed an industrial property in Cheung Sha Wan with a consideration of HK\$50 million in January 2013.

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The Group's security and property management services subsidiaries achieved steady and sustainable growth and managed to obtain a number of sizable new contracts, such as security contracts for Festival City and The Hong Kong University of Science and Technology. The security subsidiary's positive track record also led to it being commissioned to provide event security for the Wine and Dine Festival 2012.

### Outlook & Prospects

The 2013/14 Budget of the Hong Kong Government earmarked around HK\$70 billion for expenditure on construction for each of the next few years, far exceeding the average annual expenditure of about HK\$40 billion in the past five years. This rise in funds signals a commitment on the part of the Hong Kong Government to pushing ahead with a wide range of construction and infrastructure projects over the next decade, and indicates that prospects for high-level construction players in Hong Kong are bright.

The Hong Kong Government will shortly begin issuing new contracts for development of both the West Kowloon Cultural district and the East Kowloon area (Kai Tak and Kwun Tong), Tuen Mun-Chek Lap Kok Link, the Tuen Mun Western Bypass, the Central Kowloon Route, the cross-harbour section of the MTR Shatin to Central Link, boundary crossing facilities connected with the Hong Kong-Zhuhai-Macau Bridge project, and the development of the Lintang area. Besides, there will be an ongoing rise in the number of projects over the next several years related to the additional supply of land, including site formation projects and the development of local transportation networks, which will bring further opportunities to the Group.

Moving forward, Chun Wo intends to focus its construction activities on short- to medium-term contracts. Such contracts give greater ability to predict price changes accurately and to plan accordingly. In view of the rising sub-contractor cost, the Group will also explore ways of reducing reliance on sub-contractors to an extent, for instance by developing scalable internal resources that can be applied to contract work when necessary.

Government policies in Hong Kong aiming to curb housing speculation have created some uncertainties in the housing market. Nonetheless, opportunities for successful development remain. Chun Wo's sound expertise in project management and construction will be a definite advantage when it comes to achieving good returns on smaller residential projects on a scale which in line with the Group's experience, resources and capabilities. Industrial redevelopment projects involve less speculation will be another option. In the PRC, the Group is seeking a suitable joint venture partner for the launch of Phase 3 development of its "Arc de Royal" project in Shijiazhuang in 2013, involving a total gross floor area of approximately 200,000 square meters. Besides, smaller-scale residential development opportunities in major cities of Southern China will continue to be evaluated over the coming year.

**Mr. Pang** concluded, "Chun Wo is highly optimistic about prospects for the year ahead, we expect to see more numerous opportunities for construction segment over the coming years. Operational issues such as rising sub-contractor prices remain, but steps are being made to minimise these factors. The exceptional demand for top-level construction work, coupled with our strong expertise in managing resources, suggests that we are on track for maintaining the declared goal of achieving a 10% growth in net profit in the coming year."

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**New Major Projects Awarded in FY2012/13**

| Project Name                       |   | Project Commencement Date | Expected Completion Date | Attributable Contract Value (HK\$' Million) |
|------------------------------------|---|---------------------------|--------------------------|---|
| <b>Building Construction Works</b> |   |                           |                          |   |
| 1                                  | Superstructure Works for the Proposed Composite Development at Yuet Wah Street and Hip Wo Street, Kwun Tong, Kowloon  | Apr 2012                  | Jan 2014                 | 541   |
| 2                                  | Urban Renewal Project at Castle Peak Road / Hing Wah Street (K23) at Sham Shui Po   | Jan 2013                  | Mar 2015                 | 452   |
| 3                                  | Proposed Residential Development at 55 Conduit Road, Hong Kong  | Nov 2012                  | Apr 2014                 | 389   |
| 4                                  | Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan   | May 2012                  | May 2014                 | 345   |
| 5                                  | Urban Renewal Project at Castle Peak Road / Cheung Wah Street (K20) at Sham Shui Po   | Jan 2013                  | Dec 2014                 | 340   |
| 6                                  | Superstructure Works for the Proposed Residential Development at R.B.L. 380, 38 Repulse Bay Road, Hong Kong   | Apr 2012                  | Jun 2013                 | 79  |
| <b>Civil Engineering Works</b>     |   |                           |                          |   |
| 7                                  | Happy Valley Underground Stormwater Storage Scheme  | Sep 2012                  | Apr 2018                 | 711   |
| 8                                  | MTR Contract No. 1107 – Shatin to Central Link: Diamond Hill to Kai Tak Tunnels   | Mar 2013                  | Apr 2018                 | 534   |
| 9                                  | Construction of Kwun Tong Promenade (Stage 2)   | Feb 2013                  | Jul 2014                 | 223   |
| 10                                 | Construction of Open Space in Area 117, Tin Shui Wai  | Aug 2012                  | Dec 2013                 | 165   |
| 11                                 | MTR Contract No. 1119 – Shatin to Central Link: Trackwork and Overhead Line Modification Works at Lo Wu and Pat Heung Depot   | Oct 2012                  | Dec 2015                 | 58  |
| <b>Foundation Works</b>            |   |                           |                          |   |
| 12                                 | Bored Piling and Precast Prestressed Concrete Piling Contract at Area 3 for MGM Cotai Project, MGM Grand Paradise, Macau  | May 2013                  | Dec 2013                 | 211   |
| 13                                 | Bored Piles, Sheet Pile & Precast Prestressed Concrete Pile Works for Nova City Phase 5, Macau  | Oct 2013                  | Dec 2014                 | 211   |
| 14                                 | Foundation Works for Public Rental Housing Development in Kwun Tong at Anderson Road Sites A and B Phase 1 and 2  | Jun 2013                  | Dec 2013                 | 153   |
| 15                                 | ELS, Pile Cap and Piled Foundation Works for Proposed Office Development at No. 17 Cheung Shun Street, Cheung Sha Wan   | Apr 2012                  | Oct 2013                 | 104   |
| 16                                 | Bored Piled Foundation Works for Proposed 5 Storeys Industrial Development at Sub 3. of Section S of TKOTL No. 39 and Ext. N.T.   | Oct 2012                  | Sep 2013                 | 87  |
| <b>Maintenance Works</b>           |   |                           |                          |   |
| 17                                 | Term Contract for Waterworks District E - New Territories East  | Sep 2012                  | Aug 2015                 | 700   |
| 18                                 | Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Central and Western, Wan Chai, Eastern, Southern, Islands and Yau Tsim Mong) | Apr 2013                  | Mar 2016                 | 361   |
| 19                                 | Term Contract for the Maintenance of Slopes for which the Architectural Services Department (Property Services Branch) is responsible (Designated Contract Area: Hong Kong Island and Outlying Islands (South))   | Apr 2013                  | Oct 2017                 | 349   |

**Chun Wo Development Holdings Limited (Stock code: 711)**

Chun Wo was founded in 1968 and 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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