



# 中國城建集團股份有限公司

CHINA CITY CONSTRUCTION GROUP HOLDINGS LIMITED

(Listed on The Stock Exchange of Hong Kong Limited Stock Code: 00711)

[For Immediate Release]

## CHINA CITY CONSTRUCTION ANNOUNCES 2015/16 ANNUAL RESULTS

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### NET PROFIT TRIPLED TO HK\$302 MILLION

### CONSOLIDATION STRATEGY FOR CHINA AND HONG KONG BEARS FRUIT

### AIMS TO BECOME A PROFESSIONAL REGIONAL CONSTRUCTOR AND PROPERTY DEVELOPER

#### Highlights

- ◇ Revenue increased by 2.7% to HK\$8.54 billion
- ◇ Net profit rose by approx. 194.5% to HK\$302 million, significantly more than annual growth target of 10%
- ◇ Net profit margin grew substantially to 3.5%
- ◇ Earnings per share increased 132.1% to HK21.35 cents
- ◇ Awarded 12 new construction projects worth a total contract sum of approximately HK\$5.9 billion

(Hong Kong, 15 June 2016) — **China City Construction Group Holdings Limited** (“China City Construction” or “the Group”) (stock code: 00711) announces its annual results for the year ended 31 March 2016.

The Group recorded a total revenue of approximately HK\$8.54 billion for the year, increased by 2.7% year on year. Net profit increased by approximately 194.5% to approximately HK\$302 million. The increase in net profit is attributable to the disposal of property interests held through subsidiaries, the adjusted profit model and effective control of operating costs. The Group’s net profit margin grew substantially to approximately 3.5% (FY2014/15: 1.2%). Earnings per share amounted to approximately HK21.35 cents, increased by 132.1%.

During the year, the Group acquired China City Construction Fourth Engineering Bureau Group Co., Ltd. (“CCC Fourth”) and China City Construction Thirteenth Engineering Bureau Co., Ltd. (“CCC Thirteenth”), the subsidiaries of China City Construction Holding Group Company (“CCCC”). The name of the Group was changed from “Chun Wo Development Holdings Limited” to “China City Construction Group Holdings Limited”, an important milestone in the development history of the Group. The business in Hong Kong will continue to be operated under the brand of “Chun Wo”, demonstrating the Group’s advantage from its China-Hong Kong consolidation strategy.

**Mr. Dominic Pang, Co-Chairman of China City Construction**, said, “Due to sluggish growth in the global economy and the delay in funding allocation to public expenditure on the Hong Kong construction industry, the number of tenders for local large infrastructure projects has greatly declined during the past one-to-two years. Nevertheless, the Group remains an industry leader in the construction sector by reducing operating costs and improving construction technologies. With respect to property development and investment, the

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Group has actively developed in the form of joint ventures and technological partnerships, as well as improved the profit model and disposed property assets in order to seek stable investment returns. Moreover, strategic cooperation with major shareholders has enabled the Group to leverage the advantages of its network and resources in China and Hong Kong. Guided by our strategic objective of “Entering China, and Going Global”, the Group should be able to achieve stable and sustainable business growth.”

### **Construction**

The Group's core construction segment performed steadily in the past year. Construction contracts continued progressing as scheduled, while a number of major projects were completed or were close-to-completion. During the year, this segment recorded revenue of approximately HK\$8.06 billion, representing a year-on-year increase of 2.5%. Segmental profit was approximately HK\$183.2 million, representing a year-on-year increase of 46.2%. As at 31 March 2016, the total value of the Group's contracts on hand was approximately HK\$31.68 billion, of which approximately HK\$13.94 billion remained outstanding. Compared with the figures of last year, these amounts represent an increase of 17.9% and 4.4% respectively.

During the year, the labour shortage in the industry continued pushing up labour costs, awarding of tenders for numerous large government infrastructure projects is continuously being delayed due to reasons such as delay in funding approvals by the Legislative Council. Despite this, the Group successfully secured 12 new projects during the year by focusing on the building construction market. The total value of new contracts was approximately HK\$5.9 billion, increased by 47.5% as compared with the total value of approximately HK\$4 billion of last year. The new projects include a subsidised sale flats project in Sha Tin area 36C with a contract value of approximately HK\$1.48 billion, and term contract for providing minor works 2015 for Hong Kong East and Hong Kong West clusters with a contract value of approximately HK\$840 million. Both projects are expected to be completed in the third quarter of 2018. In addition, the Group also successfully secured the contracts for the design and construction of New Territories West Regional Office and Water Resources Education Center of the Water Supplies Department, the superstructure for the proposed residential development at Hong Tsuen Road, Sai Kung, New Territories, etc., once again demonstrating the market's recognition for the outstanding project execution capability and high construction quality of the Group.

During the year, most construction projects in progress made good progress, including Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works; Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link Construction Works; Wan Chai Development Phase II: Central-Wan Chai Bypass at Wan Chai East; and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities – Passenger Clearance Building, etc.. Such projects are expected to be completed between 2017 and 2019.

A number of projects were completed and delivered, including the Construction Works of Tuen Mun Western Trunk Sewerage; Term Contract for Waterworks; Commercial Redevelopment at Cannon Street & Jaffe Road, Causeway Bay, Hong Kong; Urban Renewal Project at Castle Peak Road/Hing Wah Street, Sham Shui Po, etc..

### **Property Development and Investment**

During the year, the property development and investment segment recorded revenue of approximately HK\$49.5 million. Segmental profit was approximately HK\$194.9 million, compared to approximately HK\$49.4 million last year, representing a year-on-year increase of 294.3%.

The Group continued optimizing its overall investment portfolio during the year and has successfully sold a portion of its assets at favorable prices, driving an increase in the segment's profit. Such sales included the sale of interest in two pieces of lands in Macau, held through Profit City International Limited, a wholly-owned subsidiary of the Company. The transaction was completed in July 2015. Besides, the Group also sold 10% interest in the Kau To Shan project in October 2015. As for overseas projects, the Group sold the "Reem Diamond", a low-density residential development project in Abu Dhabi, the United Arab Emirates (the "UAE") and the land located in Ras al Khaimah, the UAE. These two transactions were completed in February 2016.

The Group has continuously reviewed and adjusted its property portfolio, transited to develop and invest in projects in the form of joint ventures. Currently, the strategic cooperation between the Group and CCCC has begun to bear fruit. Through acting in close partnership, both parties are jointly developing a residential project located at Whitehead, Ma On Shan and a comprehensive development project located in Miami, the United States of America (the "USA"). The low-density with seascape residential project located at Yiu Sha Road, Whitehead, Ma On Shan is expected to provide about 500 residential units. The master layout plan, architectural building plans and site formation permit of the project have been approved by the relevant departments; and the project is expected to be pre-sold as early as mid 2017 and completed by the end of 2018. As for the Miami, USA project, it is under the design and planning; the whole project including construction works are expected to be completed in about six years,. Furthermore, the Group's residential development project located at Tseng Choi Street, Tuen Mun is making a smooth progress; it is expected that the project will provide about 360 residential units, with a commercial floor area of approximately 38,000 sq. ft.. The foundation works of the project had been completed, and the project is estimated to commence pre-sale at the end of 2016 and to be completed at the beginning of 2018.

### **Property Management and Security Professional Services**

During the year, City Services Group Limited, a subsidiary offering security and property management services, continued to attract a large number of quality customers by leveraging its strong market presence. The segment generated a profit approximately HK\$16.1 million, representing approximately 3.8% of the total turnover of such business segment. In recent years, the security services market demands for high quality property management and has promising prospects. In response to market demand, the Group will further solidify and strengthen its professional property management and security services. In fact, the Group is actively considering the feasibility of a spin-off and separate listing of this business on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### **Outlook & Prospects**

Delay in fund allocation for public expenditures and slowdown in tendering of numerous public infrastructure projects due to the delay in funding approvals by the Legislative Council have cast shadow on the construction market. Despite this, the Group is confident that it can eventually win other infrastructure projects in Hong Kong, so as to ease and compensate for the current situation of insufficient project in the market, for example, the Airport Third Runway Program which is expected to invite tenders this or next year. The Group has always been paying attention to private sector opportunities at the same time and believes that, following the fund allocation and commencement of the numerous aforesaid plans, the sign of slowdown in the construction industry in recent years will be improved.

In the meantime, by leveraging the development opportunities and resources of shareholders including China New Way Investment Limited and CCCC in China and countries along "One Belt, One Road", the Group will

ride on the acquisitions of CCC Fourth and CCC Thirteenth to further expand its business in this area, including China's municipal infrastructure construction business, in particular business opportunities under the public-private partnership model (PPP). The Group will consolidate its advantages in Hong Kong and China to explore development projects in countries along "One Belt, One Road" under the policy of the Chinese government.

With respect to the property market, Hong Kong and first-tier cities in Mainland China have experienced adjustments since the mid last year and residential trading has turned quiet. In addition, the economic outlook is filled with uncertainties, thereby imposing adjustment pressures on the property market. Hence, the Group will continue to strategically focus on actively seizing property development and investment opportunities with high growth potential by means of joint ventures with a view to mitigating risks as well as securing operating capital required for various projects. The Group will continue to seek suitable opportunities in the future to gradually dispose a portion of past property development projects that have been held for a long time for cash, such as properties in Shanwei, Guangdong Province and Shijiazhuang, Hebei Province.

Looking forward, the Group will uphold the principle of careful and steady development. While consolidating its local market presence in Hong Kong, the Group will continue actively paying close attention to the opportunities from projects with potential in Mainland China and overseas markets, especially in countries such as the U.S.A., the United Kingdom, Australia and Southeast Asia countries to realize the Group's strategic objective of "Entering China, and Going Global". The Group will also optimize overall investment portfolio by actively expanding and adjusting its property development and investment segment.

**Mr. Xu Jianhua, Jerry, Co-Chairman of China City Construction**, concluded, "Through the Group's technological capabilities in the construction sector together with the strength of our professional teams, the acquisition of construction companies in China and closer cooperation with an engineering consultancy company in Singapore, the Group has established a professional platform to explore opportunities arising from the 'One Belt, One Road' strategic directive. In this way, we have set a solid foundation for the growth of our new business. Our cooperation with state-owned financial institutions and large funds has led to an organic integration of the construction and finance industries. The integrated construction and financial model will significantly enhance the Group's participation in large infrastructure construction under the PPP model in China and thus boost our profitability. The Group boasts professional advantages in offering one-stop services covering both construction and property development. Going forward, we will further extend our integrated advantages in property development, to redevelop old buildings and provide special property development services such as professional management services. We firmly believe that with the clear advantages generated by the combination of professional platforms in China and Hong Kong, and the integration of construction and financial industries, the Group's development prospects remain promising and we can bring better returns to our shareholders."

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### **China City Construction Group Holdings Limited (stock code: 00711)**

China City Construction Group Holdings Limited (“the Group”) (stock code: 00711), formerly known as “Chun Wo Development Holdings Limited” (“Chun Wo”) was founded in 1968. Chun Wo was initially engaged in the construction business, and was listed on the Main Board of the Hong Kong Stock Exchange in 1993. After years of dedicated effort and rapid development, Chun Wo has become a reputable construction expert and property development enterprise in Hong Kong. The Group has conducted a restructuring of shareholding structure since 2014, to reinforce the Group’s business in Hong Kong and facilitate development in China and overseas together with CCCC Group. Riding on the advantages from the consolidation of network and resources from China and Hong Kong, the Group will continue to strengthen its construction, property development and property management businesses, while expanding business scope into construction management, project consultancy, construction finance, investment and financing, in Hong Kong, China and overseas markets.

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**Appendix****New Major Projects awarded in FY2015/16**

<b>Project Name</b>		<b>Expected Completion date</b>	<b>Attributable Contract Value (HK\$' Million)</b>
<b>Building Construction Works</b>			
1	Main Contract for Subsidized Sale Flats Project at Shatin Area 36C	Oct 2018	1,475
2	Design and Construction of New Territories West Regional Office and Water Resources Education Centre of Water Supplies Department (Programme No. 117KA)	Sep 2017	630
3	The Superstructure Main Contract for the Proposed Residential Development at Lot No.1180 in D.D. 215, Hong Tsuen Road, Sai Kung, New Territories	July 2017	488
4	Construction of the remaining ancillary buildings and facilities, the associated civil engineering works and landscape works, and supply and installation of specialized equipment, etc. for HKBCF	Oct 2017	461
5	Main Contract for Proposed Redevelopment at Nos. 12-24 Lun Fat Street, Wan Chai, Hong Kong	July 2017	269
6	Superstructure Works for Proposed Residential Development at R.B.L. 270, No. 17 Shek O Road, Shek O, Hong Kong	Jan 2017	255
7	Proposed Residential Redevelopment at No. 20 Peak Road, Hong Kong	Dec 2016	218
<b>Civil Engineering Works</b>			
8	In-situ Re-provisioning of Sha Tin Water Treatment Works (South Works) - Advance Works (Contract No. 3/WSD/15)	Oct 2019	310
<b>Maintenance Works</b>			
9	Term Contract for Minor Works 2015 for Hong Kong East and Hong Kong West Clusters	Sep 2018	837
10	Main Contract for Refurbishment of Hong Kong Buddhist Hospital	Aug 2017	439
11	Term Contract 2015 for Waterworks District E - New Territories East	Aug 2018	361
<b>Fitting Out Works</b>			
12	Fitting Out Works for Common Area (Lift Lobbies and Guard Houses) Nominated Sub-contract at Proposed Residential Development at Kowloon Inland Lot No. 11227	Oct 2016	192

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