For immediate release

NWS Holdings Announces FY2017 Annual Results

HIGHLIGHTS

	FY2017 HK$ million	FY2016 HK$ million	Change +/(-)%
Revenue	**31,385.0**	29,497.8	6
Attributable Operating Profit (AOP)	**4,840.3**	4,739.6	2
Profit attributable to shareholders	**5,628.9**	4,912.8	15
Basic Earnings per share	**HK$1.46**	HK$1.30	12
Dividend per share (including Final Dividend of HK$0.39 per share and Special Final Dividend of HK$0.72 per share)	**HK$1.45**	HK$0.65	123

Total cash and bank balances: HK$6,453 million (30 June 2016: HK$8,924 million)

Net gearing ratio: 7% (30 June 2016: 13%)

<u>AOP Performance for the year ended 30 June 2017</u>

	HK$ million	Compared to FY2016 Change +/(-)%
Infrastructure	**3,122.9**	**9**
- Roads	1,479.1	17
- Environment	392.1	(17)
- Logistics	641.2	(9)
- Aviation	610.5	44
Services	**1,717.4**	**(9)**
- Facilities Management	301.1	(53)
- Construction & Transport	1,131.8	24
- Strategic Investments	284.5	(13)

(20 September 2017, Hong Kong) NWS Holdings Limited ("NWS Holdings" or the "Group"; Hong Kong stock code: 659) today announced record-high revenue and profitability for the year ended 30 June 2017 ("FY2017"). Revenue rose by 6% to HK$31,385.0 million (2016: HK$29,497.8 million), Attributable Operating Profit ("AOP") up 2% to HK$4,840.3 million (2016: HK$4,739.6 million), and profit attributable to shareholders grew by 15% to reach HK$5,628.9 million (2016: HK$4,912.8 million). The record high financial results reflected the robust performance of the Construction, Roads, and Aviation businesses and the timely execution of strategic acquisitions and disposal of non-core and mature assets.

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▪ Infrastructure 基建 ▪ Services 服務

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Having disposed of the entire interest in Tricor Holdings Limited ("Tricor") in March 2017, the Group shared a net disposal gain of HK$932.8 million. In line with the Group's capital recycling strategy, the proceeds will be utilized to fund its general working capital requirements and new investment opportunities.

As previously reported in the announcement of the interim results for the six months ended 31 December 2016, the Group recognized a gain of HK$454.3 million upon the restructuring of SUEZ NWS Limited ("SUEZ NWS") by way of asset injections by both of its shareholders. The Group's interest in SUEZ NWS post-restructuring decreased from 50% to 42% but the Group bolstered its environmental businesses by expanding its predominantly water and wastewater treatment focus to cover also waste treatment services and related engineering. This enlarged portfolio well positions the Group to capitalize on the strong demand for integrated environmental solutions in Greater China.

On 30 December 2016, the Group, through its acquisition of the remaining 50% interest in NWS Transport Services Limited ("NWS Transport"), assumed full control of Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited. The step-up of NWS Transport from a joint venture to a wholly owned subsidiary resulted in a remeasurement gain of HK$113.1 million in relation to previously held equity interest.

In FY2017, the Group recognized a total fair value gain of HK$117.1 million for its investment properties. A similar gain of HK$1.4 billion was recorded for the year ended 30 June 2016 ("FY2016") mainly due to the revaluation of NWS Kwai Chung Logistics Centre prior to its disposal.

During FY2017, the Group recognized partial disposal, impairment and remeasurement losses totalling HK$290.6 million in relation to Newton Resources Ltd ("Newton Resources").

Dividends and Earnings Per Share

The Board of Directors (the "Board") is conscientious in delivering strong and steady returns to the shareholders and has adhered to the policy of maintaining a dividend payout ratio at not less than 50% over the past years.

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Having successfully realized the value of certain investments which generated significant positive cash flow during FY2017, the Board considered that it is appropriate for the Group to extend its gratitude towards the shareholders for their loyal support by recommending the Final Dividend of HK$0.39 per share and the Special Final Dividend of HK$0.72 per share (both in cash). Together with the interim dividend of HK$0.34 per share paid in May 2017, total distribution of dividend by the Group for FY2017 will be HK$1.45 per share, representing a special payout ratio of 100%. The Group will still maintain a strong financial position required to drive healthy and sustainable business growth and development after the payment of the Final Dividend and the Special Final Dividend.

The basic earnings per share was HK$1.46 in FY2017, representing an increase of 12% from HK$1.30 in FY2016.

Infrastructure Businesses

AOP of the Infrastructure division grew 9% to HK$3,122.9 million, with both Roads and Aviation segments posting robust organic growth.

<u>Roads</u>

AOP from the Roads segment increased by 17% to HK$1,479.1 million. Traffic volume of the Group's road portfolio grew by 11% in FY2017, reflecting the trend of increasing vehicle ownership resulting from ongoing urbanization in Mainland China.

The increase in long haul trucks traffic during FY2017 contributed to the 4% increase in toll revenue of Hangzhou Ring Road. This was despite a 7% traffic drop caused by local traffic control measures imposed during the G20 Summit and the diversion of passenger cars to a competing viaduct which opened in August 2016. The full-year effect of the full acquisition of Hangzhou Ring Road in January 2016 also boosted its AOP contribution.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 12% in FY2017 notwithstanding its one-off traffic increase in FY2016 caused by temporary traffic diversion after the Tianjin explosion incident. Its reduction in AOP for FY2017 was due to a one time exchange loss arising from the shareholder's loan. Following its road expansion works, approval has been granted to extend the concession right for a further 11 years to 2039.

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All of the Group's expressways in the Pearl River Delta Region registered traffic flow increases during FY2017. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 12% and 16% respectively. After completion of its expansion works in December 2015, traffic flow of Shenzhen-Huizhou Expressway (Huizhou Section) rose by 14% while its toll revenue increased swiftly by 42% under the new standard toll rate approved in March 2016. Both Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway continued to show positive progress as their traffic flows grew by 21% and 11% respectively in FY2017.

In Hong Kong, average daily traffic flow of Tate's Cairn Tunnel grew by 2% during FY2017.

During FY2017, the Group disposed of its concession rights in Shenzhen-Huizhou Roadway (Huizhou Section) in Guangdong and Yulin Shinan-Dajiangkou Roadway in Guangxi for a net disposal gain.

<u>Environment</u>

AOP of the Environment segment fell by 17% as the profitability of the coal-fired power plants suffered from rising coal prices during FY2017 and an average 7% reduction in coal-fired benchmark on-grid tariff since January 2016.

The restructuring of SUEZ NWS during FY2017 allowed the Group to expand its environmental businesses from primarily water and wastewater projects to a broadened portfolio comprising also waste treatment and design, engineering and procurement. Henceforth, SUEZ NWS can capture growth opportunities from a full spectrum of environmental services in Greater China. Despite the dilution of the Group's effective interest in SUEZ NWS to 42% after the restructuring, SUEZ NWS reported an AOP growth in FY2017.

The third production line for hazardous waste incineration plant in Shanghai Chemical Industrial Park commenced operation in March 2017. It provides an annual treatment capacity of 120,000 tonnes and is one of the world's largest hazardous waste-to-energy plants. To meet the growing water demand in Macau, SUEZ NWS has recently embarked upon the construction of a new water plant in Seac Pai Van. Upon completion in 2019, SUEZ NWS' total daily treatment capacity in Macau will increase by 130,000 m^3 to 520,000 m^3. In the meantime, a water tariff increase in Macau was approved in June 2017.

Chongqing Derun Environment Co., Ltd. ("Derun Environment") continued to provide positive AOP to the segment in FY2017, although its results were impacted by retrospective value added tax on wastewater treatment business dating back to July 2015. During FY2017, Derun Environment secured several land remediation contracts in Shanghai, laying a solid foundation for growth in this niche market.

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Electricity sales volume of Zhujiang Power Station – Phase II grew by 17% in FY2017 while sales at Chengdu Jintang Power Plant remained stable. During FY2017, the Group divested its interest in Zhujiang Power Station – Phase I and recognized a disposal gain. Performance of Guangzhou Fuel Company was robust in FY2017 amid active coal trading activities.

Logistics

AOP from the Logistics segment dropped 9% to HK$641.2 million in FY2017, which reflected the disposal of NWS Kwai Chung Logistics Centre in 2016.

Contribution from ATL Logistics Centre dropped in FY2017 in the absence of the one-off rental adjustment for a major tenant renewal in FY2016. Excluding this one-off rental adjustment, its average rental grew modestly by 5% while occupancy rate remained steady at 97.1%.

China United International Rail Containers Co., Limited ("CUIRC") delivered satisfactory AOP growth in FY2017. Benefitting from the increasing trend of containerized break-bulk cargoes service that commenced in January 2015, its throughput increased steadfastly by 23% to 2,529,000 TEUs in FY2017. To meet the growing demand, new terminals in Tianjin and Urumqi, each with annual handling capacity of 300,000 TEUs, commenced operation in January and June 2017 respectively.

AOP from the Group's seaport projects saw moderate growth in FY2017. Throughput handled by Xiamen Container Terminal Group Co., Ltd. rose by 4% to 8,182,000 TEUs. In Tianjin, throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd., grew by 3% to 2,555,000 TEUs and 7% to 961,000 TEUs respectively.

Aviation

This segment includes the Group's investments in Beijing Capital International Airport Co., Ltd. ("BCIA") and its commercial aircraft leasing business. AOP surged by 44% in FY2017 primarily due to the expansion of aircraft fleet size of Goshawk Aviation Limited ("Goshawk") and the increase of the Group's shareholding in Goshawk from 40% to 50% since October 2016.

BCIA held its position as the world's second busiest passenger airport in 2016. During FY2017, BCIA served 95.4 million passengers, representing a steady growth of 4% compared with FY2016. The growth in passenger throughput and aircraft movements, especially from international routes continued to drive aeronautical revenue. Non-aeronautical revenue also achieved stable growth due to rising concession fees from retail and food and beverage outlets which benefitted from the increase in high-spending international passengers.

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Goshawk continues its fleet expansion plan by focusing on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and by maintaining a diversified customer base. As at 30 June 2017, Goshawk's fleet which comprised of 84 aircraft in operation, having grown from 68 aircraft as at 30 June 2016, were leased out to 35 airlines in 27 countries. Its total assets on book have reached US$3.5 billion. Together with the planned delivery of another 27 aircraft, the overall portfolio size of Goshawk has increased to 111 aircraft at present. Goshawk is therefore in a prime position to generate stable income and recurring cash flows for the Group.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture with Chow Tai Fook Enterprises Limited ("CTF Enterprises") and Aviation Capital Group LLC, owns and manages a fleet size of six aircraft as at 30 June 2017.

Services Businesses

Despite the strong performance of the Construction business, the Services division recorded a decrease of 9% in AOP due to the negative impacts from the initial operating loss of Gleneagles Hong Kong Hospital ("GHK") and the decline in Free Duty's business.

Facilities Management

The Facilities Management segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), the business of Free Duty and the operation of GHK.

During FY2017, 1,102 events were held at HKCEC with a total patronage of approximately 5.7 million. Even though the size of some recurring exhibitions were scaled back, HKCEC was able to deliver stable and solid results by successfully securing 44 new exhibitions and conferences under various themes.

The performance of Free Duty in FY2017 remained suppressed as tourist spending remained weak with no notable improvement in land border visitor arrivals. Profit margins were under pressure posed by rising operating costs. The Group will continue to develop marketing strategies to boost sales.

GHK, in which the Group has 40% interest, commenced operations on 21 March 2017. The hospital is fully equipped and staffed to provide a wide range of clinical services covering more than 35 specialties and subspecialties. In FY2017, GHK recorded as anticipated an initial operating loss during the start-up phase.

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To further capture the growing demand for healthcare services in Mainland China, the Group subscribed for 20% of the enlarged issued share capital of UMP Healthcare China Limited and established Healthcare Assets Management Limited ("Healthcare Assets", a 50/50 joint venture with CTF Enterprises) to serve as an investment platform for investing in healthcare facilities in Mainland China, with primary focus on clinics and medical centres offering primary healthcare. Healthcare Assets completed the acquisition of four clinics located in Beijing and Shanghai in March 2017.

Construction & Transport

AOP contribution from the Construction business grew strongly by 27% to reach a new record of HK$909.5 million in FY2017, reflecting the continuous improvement in gross profit through effective project management. As at 30 June 2017, the gross value of contracts on hand for the Construction business was approximately HK$87.6 billion and the remaining works to be completed amounted to approximately HK$54.7 billion.

Suffering from the significant loss of ridership and revenue following the opening of MTR Kwun Tong Line Extension and South Island Line and the increasing operating costs, the overall results of NWS Transport and its subsidiaries ("NWS Transport Group") in FY2017 decreased notwithstanding the drop in average fuel costs under the hedging programme. However, the negative impact was mitigated by the additional contribution from NWS Transport Group as wholly owned subsidiaries of the Group for six months and therefore the AOP contribution from the Group's Transport business grew by 13% to HK$222.3 million.

Strategic Investments

The Strategic Investments segment includes contributions from Hyva Holding B.V., Tharisa plc, Haitong International Securities Group Limited, Tricor, Newton Resources and other investments held by the Group during FY2017 for strategic investment purposes. As mentioned above, the Group disposed its entire stake in Tricor in March 2017.

Going Forward

The encouraging results of FY2017 bear testimony to the tireless and diligent efforts of the Group in the pursuit of profitable and sustainable growth. In addition to delivering record profitability, the Group successfully reinforced its business foundation through restructuring and consolidation to enhance its capability to seize growth opportunities and maintain competitiveness.

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As evidenced by its strong operating performances, the Roads segment is poised to take full advantage of the increasing traffic volume associated with urbanization and economic growth in Mainland China, while the Aviation segment is expected to thrive in conjunction with the increasing demand for air travel. SUEZ NWS and Derun Environment will facilitate the Group's quest to be part of a leading environmental solution provider in Greater China. With the recent policy to relieve the operating pressure on coal-fired power producers and the electricity demand growth in Mainland China, the downturn of the energy business appears to have been alleviated. The Environment segment is on track in its growth mode. The national policies supporting rail intermodal transport solutions together with the opening of Tianjin and Urumqi terminals will continue to boost the throughput of CUIRC under the Logistics segment. The overall outlook of the Infrastructure division remains promising.

The overall performance of the Services division further reflected the mixed operating environment across different business units here in Hong Kong. Backed by the buoyant construction market and effective project management, the Construction business continues to grow from strength to strength. Coupled with NWS Transport Group making full-year contribution as wholly owned subsidiaries starting from FY2018, the Construction & Transport segment is well positioned to maintain its growth momentum. On the other hand, the performance of the Facilities Management segment will remain low in the meantime as GHK continues its business ramp-up while weak consumer spending weighs down on Free Duty's retail sales.

The overall strong financial position of the Group ultimately translates into a high degree of flexibility and agility in funding new investments. With some HK$4 billion being earmarked for capital expenditures in FY2018, the Group will continue to uphold its proactive and prudent investment approach in operating and maintaining a diversified asset portfolio with strong growth prospects.

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Attachment: NWS Holdings' Consolidated Income Statement

This press release is also available on the Group's website (www.nws.com.hk).

NWS Holdings Limited

NWS Holdings Limited ("NWS Holdings", Hong Kong stock code: 659) is the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 17). It has diverse businesses and investments predominantly in Hong Kong and Mainland China, comprising toll roads, environmental management, port and logistics facilities, rail container terminals, commercial aircraft leasing, facilities management, healthcare services, construction and public transport. Please visit www.nws.com.hk for details.

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Attachment: NWS Holdings' Consolidated Income Statement

	For the year ended 30 June	
	2017	2016
	HK$'m	HK$'m
Revenue	**31,385.0**	29,497.8
Cost of sales	**(27,763.2)**	(26,145.3)
Gross profit	**3,621.8**	3,352.5
Other income/gains	**1,105.2**	1,701.0
General and administrative expenses	**(1,293.7)**	(1,103.7)
Operating profit	**3,433.3**	3,949.8
Finance costs	**(468.3)**	(621.4)
Share of results of		
Associated companies	**1,590.9**	724.3
Joint ventures	**1,774.5**	1,541.7
Profit before income tax	**6,330.4**	5,594.4
Income tax expenses	**(685.2)**	(632.9)
Profit for the year	**5,645.2**	4,961.5
Attributable to		
Shareholders of the Company	**5,628.9**	4,912.8
Non-controlling interests	**16.3**	48.7
	5,645.2	4,961.5
Basic earnings per share attributable to the shareholders of the Company	**HK$1.46**	HK$1.30

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