

For immediate release

NWS Holdings Announces FY2016 Interim Results

HIGHLIGHTS

	For the six months ended 31 December		
	2015 HK\$ million	2014 HK\$ million	Change +/(-)%
Revenue	14,224.4	11,974.4	19
Attributable Operating Profit (AOP)	2,398.2	2,254.6	6
Profit attributable to shareholders	2,354.3	2,003.8	17
Basic earnings per share (EPS)	HK\$0.62	HK\$0.54	15
Interim dividend per share	HK\$0.31	HK\$0.27	15
Net assets	45,436.2	46,187.7*	(2)

*as at 30 June 2015

Net gearing ratio: 16% (30 June 2015: 14%)

AOP Performance for the six months ended 31 December 2015

	HK\$ million	Change +/(-)%
Infrastructure	1,469.3	8
- Roads	620.2	(8)
- Energy	37.6	(60)
- Water	223.9	1
- Ports & Logistics	587.6	58
Services	928.9	4
- Facilities Management	369.5	(19)
- Construction & Transport	492.4	60
- Strategic Investments	67.0	(47)

(22 February 2016, Hong Kong) NWS Holdings Limited (“NWS Holdings” or the “Group”; Hong Kong stock code: 659) today announced its interim results for the six months ended 31 December 2015 (the “Current Period”). Revenue rose by 19% to HK\$14,224 million (2014: HK\$11,974 million). Attributable Operating Profit (“AOP”) increased by 6% to HK\$2,398 million (2014: HK\$2,255 million). Profit attributable to shareholders increased by 17% to HK\$2,354 million (2014: HK\$2,004 million), reflecting the combined effect of non-operating items during the Current Period. Overall, the Group has achieved encouraging financial results despite a volatile and challenging market environment.

新創建集團有限公司 NWS Holdings Limited

(incorporated in Bermuda with limited liability)

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▪ Infrastructure 基建 ▪ Services 服務



Buoyed by the outstanding performance of the Logistics business, especially the new investment in Goshawk Aviation Limited (“Goshawk”), the Infrastructure division generated an AOP of HK\$1,469 million, an increase of 8% as compared to HK\$1,366 million for the six months ended 31 December 2014 (the “Last Period”), despite the impact of Renminbi depreciation. The AOP of Services division increased by 4% to HK\$929 million compared to HK\$889 million in the Last Period mainly due to the continuing growth of the Construction business.

During the Current Period, the Group shared a gain of HK\$179 million on the deemed disposal of its indirect interest in Chongqing Water Group Co., Ltd. (“Chongqing Water Group”) as a 50% joint venture of the Group injected its interest in Chongqing Water Group and cash into Chongqing Derun Environment Co., Ltd. (“Derun Environment”). With a total asset valuation of approximately RMB30 billion, Derun Environment will strive to be a leading environmental services provider in Mainland China by focusing its resources on water and waste water treatment, urban and hazardous waste handling, waste-to-energy project investment, soil remediation and environmental technology development. In addition, the Group recognized fair value gain of HK\$593 million from the revaluation of investment properties.

On the other hand, however, the Group recognized an impairment loss of HK\$200 million on the carrying value of the Group’s interest in Tharisa plc (“Tharisa”) in view of the substantial drop in the market price of chrome concentrates. In light of the sales decline and growth projections for hydraulic components in Mainland China, an impairment loss of HK\$178 million for Hyva Holding B.V. (“Hyva”) was also shared by the Group. Both of these impairment losses are non-cash items and bear no impact on the cash flow and the operation of the Group. Furthermore, the depreciation of Renminbi yielded a net exchange loss of HK\$267 million upon translation of the Group’s monetary assets denominated in Renminbi into Hong Kong dollars.

The Board of Directors (the “Board”) has resolved to declare an interim dividend for the year ending 30 June 2016 in scrip form equivalent to HK\$0.31 per share (2014: HK\$0.27 per share) with a cash option to the shareholders registered on 23 March 2016. The dividend payout ratio of about 50.1% is in line with the dividend strategy declared by the Board in FY2005.

Infrastructure Businesses

Infrastructure division reported an AOP of HK\$1,469 million for the Current Period, an increase of 8% compared to the Last Period.

Roads

AOP from the Roads segment decreased by 8% to HK\$620 million which was mainly due to the depreciation of Renminbi, despite healthy growth of traffic flow and toll revenue in the Current Period. AOP would have increased by 12% without the impact of Renminbi depreciation.

Toll revenue of Hangzhou Ring Road grew by 2% despite a 1% drop in traffic volume. The improvement works to alleviate the bottleneck in the western section during peak hours will be completed in the second half of FY2016.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) surged by 58% due to the resumption of two-way traffic after the completion of expansion works in December 2014 and traffic diversion from the temporary closure of a competing road following the local explosion incident in August 2015.

Riding on the economic development in the Pearl River Delta Region and the implementation of toll-by-weight policy since June 2015, all the expressways in Guangdong registered growth in both traffic volume and toll revenue. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 10% and 7% respectively. Both Shenzhen-Huizhou Expressway (Huizhou Section) and Guangzhou-Zhaoqing Expressway reported traffic growth of 10%. Average daily traffic flow of Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway also registered an increase of 11% and 44% respectively. Road expansion works of Shenzhen-Huizhou Expressway (Huizhou Section) from dual 2-lane to dual 3-lane were completed in December 2015 as scheduled.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel rose by 3% and the latest toll hike took effect in January 2016.

Energy

Notwithstanding the decline in fuel prices, weakening electricity demand, competition from renewable energy and rigorous emission controls continued to exert pressure on coal-fired power plant operators. Electricity sales volume of both Zhujiang Power Plants and Chengdu Jintang Power Plant fell by 19% during the Current Period. In January 2016, the average coal-fired benchmark on-grid tariff in Mainland China was cut by RMB0.03/kWh or 7%.

Water

AOP of the Water segment reported a mild growth of 1% to HK\$224 million despite the pressure from Renminbi depreciation in the Current Period.

Sales volume of Chongqing Water Plant and Jiangsu Water Company increased by 7% and 13% respectively during the Current Period. In Macau, sales volume of Macau Water Plant grew slightly by 1% and a tariff hike of 4.3% became effective in October 2015. After the expansion of several existing water plants, the total daily treatment capacity for water and waste water exceeded 8 million cubic metres as at 31 December 2015.

Chongqing Water Group remained a major AOP contributor for the segment. Pursuant to the agreement between Chongqing Water Assets Management Co., Ltd. and a joint venture with Suez Environnement, the Group attained an indirect interest of 12.55% in Derun Environment, an RMB30 billion platform to invest in environmental-related business in Mainland China, in December 2015. The consideration for the interest in Derun Environment was substantially met by the injection of the Group's indirect interest in Chongqing Water Group. Accordingly, the Group shared a deemed disposal gain of HK\$179 million during the Current Period.

Ports & Logistics

Ports & Logistics segment maintained its robust growth momentum as AOP for the Current Period rose by 58% to HK\$588 million. To capture the growing demand for air transportation, the Group entered the commercial aircraft leasing business by acquiring 40% equity interest in Goshawk in February 2015 which focuses on young narrow body aircraft that are both modern and in demand. As evidenced by Goshawk's fast expanding fleet that grew from 27 aircraft at the time of acquisition to 53 aircraft as at 31 December 2015 and commitments to increasing the fleet to over 70 aircraft by June 2016, this business will serve as an important growth impetus for the Group in the years to come.

As the world's second busiest airport in terms of passenger throughput, Beijing Capital International Airport served 45,870,000 passengers in the Current Period and continued to be one of the major AOP contributors of the segment.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. ("XCTG") reached 4,079,000 TEUs for the Current Period, representing a healthy growth of 12%. Following the acquisition of additional 6.2% interest in September 2015 as previously reported, the Group's stake in XCTG has increased to 20%. In Tianjin, the throughputs of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. fell by 5% to 1,226,000 TEUs and 6% to 454,000 TEUs respectively in the Current Period.

With the introduction of containerized break-bulk cargo transportation in January 2015 and the increasing demand for international block train services, throughput handled by China United International Rail Containers Co., Limited grew 6% to 979,000 TEUs during the Current Period. To meet the business growth, the expansion works to double the handling capacity at Chongqing terminal were completed in December 2015 while the construction of Tianjin and Urumqi terminals are scheduled to be completed in 2016 and 2017 respectively.

ATL Logistics Centre continued to register robust rental growth. The Current Period saw an average rental uplift of 16% which was partly boosted by the rental adjustment of a major tenant. Its occupancy rate decreased slightly from 99.5% to 97.8% due to transitional vacancy upon lease renewals during the Current Period. NWS Kwai Chung Logistics Centre remained a stable AOP contributor to the Group.

Services Businesses

Services division recorded an AOP of HK\$929 million in the Current Period, representing a 4% increase from the Last Period.

Facilities Management

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

Having been voted the “Best Convention and Exhibition Centre in Asia” for 13 times from 2001 to 2016 by *CEI Asia Magazine*, one of the most influential trade publications in the region, HKCEC has firmly solidified its leading position in the industry. During the Current Period, 587 events were held at HKCEC with a total patronage of approximately 3.7 million.

A reduction in the number of high-spending visitors from Mainland China and the continued contraction of inbound tourism have negatively impacted Free Duty’s business. Coupled with rising operating costs, the profit contribution from this business declined. However, in light of the promising growth potential at the Lok Ma Chau terminal and the Macau International Airport and the successful renewal of concession contracts at Macau Ferry Terminal and China Hong Kong Ferry Terminal to 2018, the Group remains cautiously optimistic on the sales outlook despite the headwinds.

The construction of Gleneagles Hong Kong Hospital is making good progress and the hospital is expected to commence operations in early 2017.

Construction & Transport

AOP contribution from the Construction business increased encouragingly by 59% to HK\$370 million in the Current Period mainly due to the continuous improvement in gross profit through effective project management. As at 31 December 2015, the gross value of contracts on hand for the Construction business was approximately HK\$75.3 billion and the remaining works to be completed amounted to approximately HK\$48.8 billion.

Having recovered from the impact of the “Occupy Central Movement” in the Last Period and riding on the increased patronage for airport bus services and lower fuel costs, the Group’s Transport business reported AOP growth of 63% to HK\$122 million in the Current Period, even though the competition from the MTR West Island Line continues to exert pressure on ridership.

Strategic Investments

This segment includes contributions from Tricor Holdings Limited (“Tricor”), Haitong International Securities Group Limited, Newton Resources Ltd, Tharisa, Hyva and other investments held by the Group for strategic investment purposes.

Business Outlook

As evidenced by the reassuring AOP growth of 6%, the Group continued to display its capability and adeptness in handling challenges and uncertainties in the operating environment. AOP of Ports & Logistics segment rose substantially as the Group capitalized on the global demand for leased aircraft and the sustained local demand for quality warehousing facilities. Goshawk grew swiftly in accordance with the post-acquisition expansion plan and nearly doubled the size of its fleet in 2015. However, the growth momentum was dampened by the adverse impact of Renminbi depreciation on our infrastructure projects in Mainland China, especially the Roads segment which endured an 8% decline in profit contribution notwithstanding the overall increase in toll revenue and traffic volumes.

The investment of Derun Environment in December 2015 will serve as a springboard to the Group’s entry into a wider range of environmental services in Mainland China and overseas. Riding on the rigorous government sustainability strategies and policies, this new investment platform is poised to be a major long-term growth driver for the Water segment.

The upbeat AOP growth of the Construction & Transport segment showed that the Group continued to take advantage of the vibrant construction market while lower fuel costs aided the recovery of the bus operations. However, the persistent downturn of the retail and tourism industries coupled with rising operating costs stalled Free Duty's recovery which in turn led to the negative growth of the Facilities Management segment.

The Group from time to time conducts strategic reviews on its long-term assets and is currently considering various strategic options, including potential disposals, for NWS Kwai Chung Logistics Centre and Tricor which would enhance shareholder value.

Looking ahead, with the backing of a strong balance sheet and war chest, the Group is well resourced and positioned to deliver stable growth in times of uncertainty. By the same token, the Group will remain vigilant and cautious in managing its Renminbi exposure while seizing acquisition and divestment opportunities to create and unlock long-term shareholder value.

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Attachment: NWS Holdings' Condensed Consolidated Income Statement - Unaudited

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), the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 17), operates businesses in Hong Kong, Mainland China and Macau. Its Infrastructure portfolio includes Roads, Energy, Water and Ports & Logistics projects. Its Services portfolio comprises Facilities Management (*the management of Hong Kong Convention and Exhibition Centre and Free Duty*), Construction & Transport (*construction, bus and ferry services*) and Strategic Investments.

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Attachment: NWS Holdings' Condensed Consolidated Income Statement – Unaudited

For the six months ended 31 December

	2015 HK\$'m	2014 HK\$'m
Revenue	14,224.4	11,974.4
Cost of sales	<u>(12,554.2)</u>	<u>(10,364.8)</u>
Gross profit	1,670.2	1,609.6
Other income/gains (net)	845.5	507.7
General and administrative expenses	<u>(591.7)</u>	<u>(494.0)</u>
Operating profit	1,924.0	1,623.3
Finance costs	(311.9)	(332.1)
Share of results of		
Associated companies	299.0	(984.2)
Joint ventures	<u>785.5</u>	<u>1,936.5</u>
Profit before income tax	2,696.6	2,243.5
Income tax expenses	<u>(303.9)</u>	<u>(215.0)</u>
Profit for the period	<u>2,392.7</u>	<u>2,028.5</u>
Attributable to		
Shareholders of the Company	2,354.3	2,003.8
Non-controlling interests	<u>38.4</u>	<u>24.7</u>
	<u>2,392.7</u>	<u>2,028.5</u>
Basic earnings per share attributable to the shareholders of the Company	<u>HK\$0.62</u>	<u>HK\$0.54</u>