



For immediate release

NWS Holdings Announces FY2016 Annual Results

HIGHLIGHTS

	FY2016 HK\$ million	FY2015 HK\$ million	Change +/(-)%
Revenue	29,497.8	24,491.8	20
Attributable Operating Profit (AOP)	4,739.6	4,456.6	6
Profit attributable to shareholders	4,912.8	4,477.6	10
Basic Earnings per share	HK\$1.30	HK\$1.19	9
Dividend per share	HK\$0.65	HK\$0.60	8

Total cash and bank balances: HK\$8,924 million (30 June 2015: HK\$10,422 million)

Net gearing ratio: 13% (30 June 2015: 14%)

AOP Performance for the year ended 30 June 2016

	HK\$ million	Compared to FY2015 Change +/(-)%
Infrastructure	2,856.2	9
- Roads	1,259.8	5
- Environment	469.8	(26)
- Logistics	702.6	28
- Aviation	424.0	74
Services	1,883.4	3
- Facilities Management	645.0	(25)
- Construction & Transport	911.6	32
- Strategic Investments	326.8	17

(20 September 2016, Hong Kong) NWS Holdings Limited (“NWS Holdings” or the “Group”; Hong Kong stock code: 659) today announced its annual results for the year ended 30 June 2016 (“FY2016”). The Group’s revenue rose by 20% to HK\$29,498 million (2015: HK\$24,492 million). Attributable Operating Profit (“AOP”) rose by 6% to HK\$4,740 million (2015: HK\$4,457 million) and profit attributable to shareholders rose by 10% to HK\$4,913 million (2015: HK\$4,478 million). The steady growth reflected the strong performance of the roads, logistics, aviation, and construction businesses and that the Group’s well-balanced portfolio is able to sustain growth momentum as a whole despite challenging market conditions.

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(incorporated in Bermuda with limited liability)

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In FY2016, the Group reclassified its reporting segments under the Infrastructure division to better reflect the nature of the income streams and growth strategies. This resulted in the establishment of the Environment, Logistics and Aviation segments while the Roads segment remained unchanged. The former Energy and Water segments have been consolidated into the Environment segment in view of the long-term investment opportunities in the fast growing environmental markets through both Sino-French Holdings (Hong Kong) Limited and Chongqing Derun Environment Co., Ltd. (“Derun Environment”). The Logistics segment, which replaces the Ports & Logistics segment, has been set up to capture ports, warehousing and rail container terminal businesses. A new standalone Aviation segment has been established to embrace airport and commercial aircraft leasing investments given their strong earnings and growth potential.

The Group recognized fair value gains of HK\$1.4 billion on the revaluation of investment properties in FY2016. A significant portion of the fair value gain was contributed by NWS Kwai Chung Logistics Centre as the Group entered into an agreement to dispose of its entire interest in this property in June 2016 and the gain on disposal was recognized by means of fair value gain. On the other hand, the Group accepted a cash offer for its shareholding in New World China Land Limited in March 2016, recognizing a gain on disposal of HK\$534 million. Both disposals underlined the Group’s strategy of unlocking the value in its investments at an appropriate time and generating cash resources to fund its general working capital as well as other investment projects to further enhance shareholder value.

In addition, 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”) upon injection of its indirect interest in Chongqing Water Group and cash into Derun Environment.

However, the Group recognized an impairment loss of HK\$670 million for Haitong International Securities Group Limited (“Haitong International”) due to the drop in its share price. The Group also recognized an impairment loss of HK\$200 million on the carrying value of its interest in Tharisa plc (“Tharisa”) in view of the substantial drop in the market price of chrome concentrates. In light of the current and projected slowdown in demand 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. All these impairment losses are non-cash items and bear no impact on the cash flow and the operation of the Group.

The Board of Directors (the “Board”) has resolved to recommend a final dividend for FY2016 in scrip form equivalent to HK\$0.34 per share (2015: HK\$0.33 per share) with a cash option to the shareholders on the register on 25 November 2016. Together with the interim dividend of HK\$0.31 per share (2015: HK\$0.27 per share) paid in May 2016, total distribution of dividend by the Group for FY2016 will be HK\$0.65 per share (2015: HK\$0.60 per share), representing a payout ratio of approximately 50.5%, which is in line with the dividend strategy declared by the Board in FY2005.

Infrastructure Businesses

The Infrastructure division achieved an AOP of HK\$2,856 million, representing a growth of 9% which was mainly contributed by the Aviation and Logistics segments, while the Roads segment maintained steady growth.

Roads

Bolstered by an overall increase in traffic volume of 12% across the Group’s road portfolio, AOP from the Roads segment grew by 5% to HK\$1,260 million despite Renminbi depreciation during FY2016. AOP would have increased by 23% without the impact of Renminbi depreciation.

Traffic flow of Hangzhou Ring Road (“HZRR”) increased by 2% in FY2016 while its toll revenue grew by 5% as a result of the rise in average travelling distance. The Group completed the acquisition of the remaining 5% interest from the minority shareholder of HZRR, which is now wholly owned by the Group.

Traffic volume of Tangjin Expressway (Tianjin North Section) continued to grow satisfactorily since the completion of expansion works in December 2014. Its average daily traffic flow surged by 32% in FY2016.

Riding on further economic development in the Pearl River Delta Region, all the expressways in Guangdong reported healthy growth in both traffic volume and toll revenue. Average daily traffic flow in Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 11% and 7% respectively. Benefitting from the completion of its expansion works in December 2015, Shenzhen-Huizhou Expressway (Huizhou Section) delivered traffic growth of 14% in FY2016 while approval to increase its toll rate from dual 2-lane to dual 3-lane standard has been granted. The average daily traffic flow of Guangzhou-Zhaoqing Expressway also increased by 13%. The performance of both Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway continued to improve as evidenced by the rise in average daily traffic flow of 39% and 14% respectively.

In Hong Kong, average daily traffic flow of Tate's Cairn Tunnel grew slightly by 1% during FY2016.

Environment

AOP of this segment declined by 26% to HK\$470 million, mainly caused by a significant drop in AOP from the Energy projects and pressure from Renminbi depreciation during FY2016. The AOP downturn of the Environment segment would have narrowed to 16% without the impact of Renminbi depreciation.

Due to increasing competition from renewable energy and softening electricity demand, electricity sales volume of Zhujiang Power Plants and Chengdu Jintang Power Plant reduced by 23% and 31% respectively. On the other hand, the Water projects delivered a 6% growth in AOP in FY2016. Notably, water sales volume of Jiangsu Water Company increased by 10% whereas waste water revenue of Shanghai SCIP Water Treatment Plants increased by 9%. Qingdao Dongjiakou Waste Water Plant and Yangzhou Sludge Treatment Plant became operational during FY2016. Sanya Water Plant successfully raised water tariff by 27.6% in February 2016. In Macau, sales volume of Macau Water Plant remained stable in FY2016 and a tariff hike of 4.3% became effective in October 2015.

In December 2015, the Group injected its interest in Chongqing Water Group into Derun Environment to expand its presence in the environmental services industry in Mainland China. Derun Environment made positive earnings contribution in FY2016 while its overall performance remains in line with management expectation.

Logistics

AOP of this segment recorded a healthy growth of 28% to HK\$703 million in FY2016.

ATL Logistics Centre registered a robust average rental growth of 15% which was partly boosted by the rental adjustment of a major tenant. Without such rental adjustment, the average rent would have increased by 8%. Its occupancy rate decreased slightly from 99.5% to 97.4% due to the tendency for tenants to consolidate or reduce their operations upon lease renewals.

To unlock and realize the full business value of NWS Kwai Chung Logistics Centre, the Group has disposed of its entire interest for an aggregate consideration of HK\$3.75 billion in August 2016. The appreciation in property value released from this disposal has been mostly recognized by means of fair value gain in FY2016.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. (“XCTG”) reached 7,872,000 TEUs in FY2016, representing a steady growth of 11%. Following the acquisition of additional 6.2% interest as previously reported, the Group’s stake in XCTG has increased to 20%. In Tianjin, the throughput of both Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. fell by 4% each to 2,486,000 TEUs and 897,000 TEUs respectively in FY2016.

With the introduction of containerized break-bulk cargo services in January 2015 and the increasing demand for international block train services between Mainland China and Europe, throughput handled by China United International Rail Containers Co., Limited grew 14% to 2,062,000 TEUs in FY2016. To meet the growing demand, the expansion works to double the handling capacity at Chongqing terminal were completed in December 2015.

Aviation

This segment includes the Group’s investment in Beijing Capital International Airport Co., Ltd. (“BCIA”) and the commercial aircraft leasing business. The significant increase in AOP of 74% in FY2016 was primarily due to the full year contribution from Goshawk Aviation Limited (“Goshawk”).

As the world’s second busiest airport in terms of passenger throughput, BCIA served 91.5 million passengers in FY2016, representing a 3% growth when compared to the last financial year. The robust growth of international passengers, together with the new concession model for retail, restaurants and advertising businesses, have continued to drive BCIA’s revenue streams.

To capture the growing demand for leased aircraft, the Group entered the commercial aircraft leasing business by acquiring 40% equity interest in Goshawk in February 2015. Goshawk focuses on commercial aircraft that are young, modern and in demand. The fleet size has grown from 40 aircraft as at 30 June 2015 to 68 aircraft as at 30 June 2016 and thereby reached US\$2.7 billion in total assets under management. All aircraft are purchased with a lease that generates steady income for the Group.

In FY2016, the Group established the second commercial aircraft leasing platform through the formation of a joint venture with Chow Tai Fook Enterprises Limited and Aviation Capital Group Corp., one of the world’s leading aircraft leasing companies based in the USA. This new joint venture, Bauhinia Aviation Capital Limited (“Bauhinia”), which is expected to bring recurring cash flows and stable income to the Group in the coming years in the same way as Goshawk, will further strengthen the Group’s market position in the fast growing commercial aircraft leasing industry.

Services Businesses

The Services division recorded an AOP of HK\$1,883 million in FY2016, a 3% increase compared to the last financial year.

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. During FY2016, 1,149 events were held at HKCEC with a total patronage of approximately 5.5 million visitors. HKCEC delivered stable and solid results even though certain trade fairs and luxury shows had reduced in scale in the face of sluggish economic conditions.

The performance of Free Duty in FY2016 was impacted by a slowdown in inbound Mainland tourists and the corresponding decline in visitor spending. At the same time, the change in sales mix alongside rising rental expenses exerted constant pressure on profit margins. Despite the retail headwinds, the operation at the Lok Ma Chau station sustained steady growth. The Group will continue to explore opportunities to reinforce its duty free business.

The construction of Gleneagles Hong Kong Hospital (“GHKH”), of which the Group holds 40% interest, has been completed. Workforce planning, including the recruitment of doctors, nurses and healthcare professionals, is well underway. Slated to commence operations in early 2017, GHKH will provide 500 beds and a comprehensive range of medical services.

Construction & Transport

AOP from the Construction business recorded strong growth of 26% to HK\$716 million in FY2016 mainly due to the continuous improvement in gross profit through effective project management and the strong increase in business volume. As at 30 June 2016, the gross value of contracts on hand was approximately HK\$69.7 billion and the remaining works to be completed amounted to approximately HK\$38.6 billion.

Having recovered from the impact of the “Occupy Central Movement” in FY2015 and as the ridership loss to the MTR West Island Line has gradually subsided and stabilized in FY2016, the Group’s Transport business was able to take advantage of the rising patronage from airport bus services and stable fuel costs through a hedging programme to increase its earnings contribution by 56% to HK\$196 million in FY2016.

Strategic Investments

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

Going Forward

The effective execution of sustainable investment strategy and systematic approach to business performance optimization enabled the Group to deliver solid growth despite unfavourable market conditions and operating environment. As the most significant growth driver in FY2016, the Aviation segment fully justified its new stature as a standalone segment under the Infrastructure division. While the expansion of Goshawk and its first full-year earnings contribution were in line with management expectations, the establishment of Bauhinia will allow the Group to increase its market presence in the growing aircraft leasing industry. The simultaneous development of these two aircraft leasing platforms together with the upside potential of BCIA will undoubtedly drive the growth of the Aviation segment in the coming years.

The overall operating performance of the projects under the Infrastructure division remained robust and resilient although the financial result was diluted by the impact of Renminbi depreciation. The Roads segment delivered encouraging results driven by growing local economic activities. On the other hand, the performance of the newly formed Environment segment was restrained by the continued decline in coal-fired electricity sales although the impact was partly alleviated by the growth delivered by the former Water segment. Nonetheless, the Group remains optimistic in the outlook of the Environment segment as urbanization and policy support in Mainland China will continue to spur demand for modern and advanced water and waste treatment processes while Derun Environment will make full-year contribution starting from FY2017.

The Services division held its ground relatively well despite constant headwinds and contrasting performances. The Facilities Management segment contracted further as the Free Duty business slowed down due to subdued retail sentiment. Such impact was, however, more than compensated by the remarkable growth of the Construction business. With GHKH scheduled to commence operation in FY2017, the Group looks forward to developing the healthcare business into a new growth driver for its services portfolio.

Having strategically divested and unlocked the value of certain mature and non-core assets, the Group has built up a sizeable war chest to undertake value creating initiatives and pursue acquisition opportunities that will maintain long-term stability and growth in shareholder value and return on investment. The Group has accordingly set aside some HK\$4 billion of financial resources for capital expenditure and investment purposes in the coming financial year. As such, the Group is well prepared and equipped to embrace opportunities and face challenges that lie ahead.

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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), 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, Environment, Logistics and Aviation 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' Consolidated Income Statement

	For the year ended 30 June	
	2016	2015
	HK\$'m	HK\$'m
Revenue	29,497.8	24,491.8
Cost of sales	(26,145.3)	(21,341.1)
Gross profit	3,352.5	3,150.7
Other income/gains	1,701.0	1,774.2
General and administrative expenses	(1,103.7)	(1,014.4)
Operating profit	3,949.8	3,910.5
Finance costs	(621.4)	(637.7)
Share of results of		
Associated companies	724.3	(946.4)
Joint ventures	1,541.7	2,662.7
Profit before income tax	5,594.4	4,989.1
Income tax expenses	(632.9)	(476.2)
Profit for the year	4,961.5	4,512.9
Attributable to		
Shareholders of the Company	4,912.8	4,477.6
Non-controlling interests	48.7	35.3
	4,961.5	4,512.9
Basic earnings per share attributable to the shareholders of the Company	HK\$1.30	HK\$1.19