

For immediate release

**NWS Holdings Announces FY2018 Interim Results**
**HIGHLIGHTS**

	For the six months ended 31 December		
	2017 HK\$ million	2016 HK\$ million	Change + / (-) %
Revenue	<b>18,076.9</b>	13,846.0	31
Attributable Operating Profit (AOP)	<b>2,682.1</b>	2,519.4	6
Profit attributable to shareholders	<b>2,478.1</b>	2,600.1	(5)
Basic earnings per share (EPS)	<b>HK\$0.64</b>	HK\$0.68	(6)
Interim dividend per share	<b>HK\$0.32</b>	HK\$0.34	(6)
Net assets	<b>48,873.6</b>	49,275.0*	(1)

\*as at 30 June 2017

Net gearing ratio: 13% (30 June 2017: 7%)

**AOP Performance for the six months ended 31 December 2017**

	HK\$ million	Change + / (-) %
<b>Infrastructure</b>	<b>2,025.3</b>	<b>33</b>
- Roads	1,027.8	40
- Environment	293.8	15
- Logistics	338.5	7
- Aviation	365.2	67
<b>Services</b>	<b>656.8</b>	<b>(34)</b>
- Facilities Management	(84.4)	(133)
- Construction & Transport	606.6	14
- Strategic Investments	134.6	(33)

(26 February 2018, 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 2017 (the “Current Period”). Revenue increased by 31% to HK\$18,076.9 million (2016: HK\$13,846.0 million). Attributable Operating Profit (“AOP”) rose by 6% to HK\$2,682.1 million (2016: HK\$2,519.4 million), mainly due to the strong performance of roads, aviation and construction businesses. Profit attributable to shareholders decreased by 5% to HK\$2,478.1 million (2016: HK\$2,600.1 million), reflecting the reduced contribution from exceptional non-cash items.

Propelled by the organic growth across the board, especially the Roads and the Aviation segments, the Infrastructure division generated an AOP of HK\$2.025 billion, representing an increase of 33% when compared with HK\$1.525 billion in the six months ended 31 December 2016 (“Last Period”). On the other hand, the AOP of the Services division decreased by 34% to HK\$656.8 million, compared with HK\$994.7 million in the Last Period. The decline in financial results of the Services division in the Current Period reflected the underperformance of the Facilities Management segment which, for the first time, reported a loss as Free Duty’s business remained sluggish and the newly opened Gleneagles Hong Kong Hospital (“GHK Hospital”) incurred start-up costs during its ramp-up phase.

The drop in profit attributable to shareholders reflected the reduction in net contribution from exceptional non-cash items, in particular, the recognition of a gain of HK\$454.3 million upon the restructuring of SUEZ NWS Limited (“SUEZ NWS”) following asset injections by both shareholders, and a remeasurement gain of HK\$113.1 million in relation to the previously held equity interest in NWS Transport Services Limited (“NWS Transport”) when the Group assumed full control after acquiring the remaining 50% interest from the former joint venture partner in the Last Period even though these gains were partly offset by an impairment loss of HK\$204.0 million on the mining assets of Newton Resources Ltd, a then associated company of the Group. Excluding the net contribution from these one-off items, profit attributable to shareholders would have risen nearly 11% which was in line with the AOP growth and finance cost savings following the USD bonds redemption in February 2017.

The Board of Directors (the “Board”) has resolved to declare an interim dividend of HK\$0.32 per share (2016: HK\$0.34 per share) in cash for the year ending 30 June 2018 (“FY2018”) to the shareholders registered on 23 March 2018. The dividend payout ratio is about 50.3% and it is in line with the dividend policy declared by the Board in FY2005.

### **Infrastructure Businesses**

AOP generated by the Infrastructure division for the Current Period rose 33% year-on-year to HK\$2.025 billion.

#### Roads

AOP from the Roads segment rose by 40% to HK\$1.028 billion in the Current Period along with rising urbanization and economic activities in Mainland China which contributed to the Group’s road portfolio registering an average 10% growth in daily traffic flow as well as contribution from exchange rate movements.

Average daily traffic flow of Hangzhou Ring Road increased by 5%, reflecting the increase in long-haul truck traffic which grew alongside the rise of online sales.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased by 17% as the expressway capitalized on the rising economic activities across the region under the Beijing-Tianjin-Hebei integration plan. Toll revenue grew notably by 30% mainly due to the traffic growth and the rise in truck traffic since mid-2017 when certain expressways in Beijing and Tianjin introduced traffic control measures to prohibit heavy vehicle patronage. AOP growth in the Current Period was also attributable to the non-recurrence of a one-time exchange loss on the shareholder's loan which was recognized in the Last Period.

Most of the Group's expressways in the Pearl River Delta Region continued to deliver both traffic volume and toll revenue growth during the Current Period. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 9% and 11% respectively. Traffic flow of Shenzhen-Huizhou Expressway rose by 14%. Supported by the development of high-speed train service at Guangzhou South Railway Station as well as economic development of Panyu and Nansha districts, average daily traffic flow of Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway rose by 18% and 11% respectively. Due to traffic diversions following the opening of new expressways in December 2016, traffic volume of Guangzhou-Zhaoqing Expressway dropped by 7% during the Current Period.

In January 2018, the Group successfully extended its footprint into Hubei province by acquiring a 30% interest in Suiyuanan Expressway for a cash consideration of approximately RMB1.1 billion. This 98.06 km long dual 2-lane expressway has a remaining concession right of 22 years expiring in 2040. As a fully-operational expressway in the central region of Mainland China, this project is expected to provide immediate AOP contribution to the Group.

### Environment

AOP of the Environment segment increased by 15% to HK\$293.8 million in the Current Period.

The enlarged portfolio of SUEZ NWS provided a broadened income base to the Group. The hazardous waste incineration plant in Shanghai Chemical Industrial Park continued to post encouraging operating performance after the commencement of the third production line in March 2017. Notwithstanding a 10% rise in water sales and wastewater treatment volume, AOP contribution from SUEZ NWS dropped slightly mainly due to the rise in its corporate expenses, pre-operating and development costs as well as the dilution effect of the Group's effective interest from 50% to 42% in the Current Period. Several new sewage treatment investments in Jiangsu, Hainan and Shaanxi with a total daily capacity of 57,000 m<sup>3</sup> were secured by SUEZ NWS during the Current Period.

Chongqing Derun Environment Co., Ltd. recorded an AOP growth in the Current Period which was driven by the organic growth in waste incineration treatment volume and the receipt of a lump sum value added tax subsidy. The recent successes in securing a river and a land remediation contracts in Chongqing will strengthen its market presence in this emerging industry.

The upward trend in coal price has continued to erode the profitability of the Group's coal-fired power plants. Combined electricity sales volume of Zhujiang Power Station – Phase II and Chengdu Jintang Power Plant dropped 3% amid competition from hydro-power plants during the Current Period. AOP of Guangzhou Fuel Company decreased as the trading margin tightened due to the phasing out of outdated production capacity which constrained coal supply and the mounting competition in the downstream market with sizable coal miners launching direct sales business. Such impact was partially mitigated by the ability in boosting sales volume through the expansion of service network and client base during the Current Period.

#### Logistics

AOP from Logistics segment increased by 7% to HK\$338.5 million in the Current Period.

ATL Logistics Centre continued to provide significant and stable AOP to the Logistics segment. Its average rental rate grew moderately by 4% while occupancy rate dropped slightly from 97.2% to 96.3% due to transitional vacancies associated with lease expiries. The four-year building rehabilitation programme costing approximately HK\$400 million is due to be completed in the latter half of 2018.

China United International Rail Containers Co., Limited (“CUIRC”) performed steadily during the Current Period and saw a throughput growth of 4% to 1,367,000 TEUs. With Urumqi terminal in operation since mid-2017, the expanded CUIRC network is well positioned to capitalize on the development of containerized rail transportation under the Belt and Road Initiative.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. grew by 1% to 4,357,000 TEUs while government subsidy on transshipment services further enhanced its profit contribution. Throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. rose by 1% to 1,338,000 TEUs and 10% to 544,000 TEUs respectively during the Current Period.

#### Aviation

This segment includes the Group's investments in Beijing Capital International Airport Company Limited (“BCIA”) and its commercial aircraft leasing business. AOP surged by 67% in the Current Period which was mainly driven by the expansion of the aircraft fleet of Goshawk Aviation Limited (“Goshawk”).

During the Current Period, BCIA's passenger throughput remained relatively stable at 49.2 million. The growth in aeronautical revenue reflected the steady rise in international passengers within the traffic mix and the implementation of the new domestic tariff. Non-aeronautical revenue also benefitted from the increase in international passengers and additional rental space for lounge and other commercial operations in the terminals. In January 2018, a strategic decision was made to partially dispose of the Group's interest in BCIA. Upon the completion of this divestment, the Group holds approximately 12.79% of the total issued H shares of BCIA and a disposal profit of approximately HK\$0.8 billion has been recognized in the second half of FY2018. Subsequently, an executive director of the Group resigned as a non-executive director and a member of the strategy committee of BCIA. As a result, the Group ceased to exercise significant influence on BCIA and its interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset. A gain on the remeasurement at fair value upon reclassification amounting to approximately HK\$1 billion has been recognized in the second half of FY2018.

Goshawk continued to pursue its expansion strategy by staying focused on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and through customer diversification. As at 31 December 2017, Goshawk's fleet comprised 99 aircraft, having grown from 84 aircraft since 30 June 2017. The aircraft portfolio had an average age of 3.2 years and was on lease to 37 airlines in 28 countries as at 31 December 2017. Together with the planned delivery of another 13 aircraft, the overall portfolio size of Goshawk has increased to 112 aircraft as at 31 December 2017. There were successful issuances of secured and unsecured notes amounting to US\$830 million through two private placements in the United States during the Current Period. Additionally, Goshawk's ability to tap into diverse funding sources globally bore testimony to its reputation, strength and competitiveness in the market.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited ("Bauhinia"), a joint venture with Chow Tai Fook Enterprises Limited ("CTF Enterprises") and Aviation Capital Group LLC ("ACG"), owned and managed a fleet size of six aircraft as at 31 December 2017. Subsequent to ACG's exit in January 2018, the Group increased its equity interest in Bauhinia from 40% to 50%.

The total assets value on book of the Group's two aircraft leasing platforms reached US\$4.6 billion as at 31 December 2017.

## Services Businesses

The Services division reported an AOP of HK\$656.8 million, representing a 34% year-on-year decrease from the Last Period.

## 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, the operation of GHK Hospital and other healthcare related investments.

As the winner of the “Outstanding Venue Award” at the 2017 AFECA Asian Awards Ceremony organized by the Asian Federation of Exhibition and Convention Associations, HKCEC firmly cements its leading position as one of the best convention and exhibition venues in the region. During the Current Period, 563 events were held at HKCEC with a total patronage of approximately 5.0 million. While exhibition business remained stable, banquet revenue grew healthily on the back of various celebration functions associated with the 20th Anniversary of the Establishment of the Hong Kong Special Administrative Region. Looking ahead, Hong Kong Convention and Exhibition Centre (Management) Limited, the management company for HKCEC, will focus its business development efforts to host new knowledge based and professional development related exhibitions as well as sizeable conferences during non-exhibition seasons.

The Free Duty business swung into a loss in the Current Period as profit margins were further suppressed since the commencement of a new concession contract in 2017 while tourist spending remained sluggish. Strategies are in place to continue to boost sales and save costs. Management expects Free Duty’s downtrend will bottom out in the near future.

GHK Hospital, in which the Group has 40% interest, commenced operations in late March 2017 and continued to incur operating losses during its business ramp-up. Radiotherapy and Oncology Centre, Dialysis Centre and 24-hour Outpatient and Emergency Services came into services during the Current Period. Currently, over 120 all-inclusive fixed-price packages are being offered to patients.

To capture the growing demand for healthcare services in Mainland China, the Group and CTF Enterprises set up Healthcare Assets Management Limited (“Healthcare Assets”) during FY2017 to invest in primary healthcare facilities. New World Development Company Limited (“NWD”) subsequently subscribed for 40% of the enlarged issued share capital of Healthcare Assets in September 2017. Healthcare Assets currently operates four clinics in Beijing and Shanghai. NWD’s strengths and expertise in real estates, corporate relationship, capital investments and customer relationship management will enhance the development of Healthcare Assets in the healthcare market in Mainland China and further facilitate the Group’s long-term expansion plan into healthcare business. The Group now holds 30% interest in

Healthcare Assets, and it also holds 20% interest in UMP Healthcare China Limited which offers corporate healthcare solutions and health check-up services.

### Construction & Transport

AOP contribution from the Construction business increased notably by 16% to HK\$475.6 million in the Current Period mainly due to the continuous improvement in gross profit and satisfactory job progress. As at 31 December 2017, the gross value of contracts on hand for the Construction business was approximately HK\$89.6 billion and the remaining works to be completed amounted to approximately HK\$45.4 billion.

Following the opening of MTR Kwun Tong Line Extension and South Island Line, the ridership of the Group's public bus services fell by approximately 6%. Impacted by the overall decline in ridership and fare revenue and the continuous rise in operating costs, the profit of the Group's public bus services fell substantially by 56% from HK\$246.5 million to HK\$108.6 million in the Current Period despite the drop in fuel costs under the hedging programme. However, the additional contribution from NWS Transport as a wholly owned subsidiary of the Group was able to offset such negative effects in the Current Period. Hence, the AOP contribution from the Group's Transport business grew by 5% to HK\$131.0 million. In August 2017, New World First Bus Services Limited and Citybus Limited applied for a fare increase of 12% in view of rising operational costs.

### Strategic Investments

AOP for the Current Period from this segment mainly comprised the share of profits of Hyva Holding B.V. as well as income from certain investments, and the dividend income from Haitong International Securities Group Limited which is the Group's available-for-sale financial asset.

### **Business Outlook**

Despite the somewhat mixed financial results, the Group's financial and operating performances during the Current Period were largely within expectations. The most noteworthy accomplishment being the commendable growth throughout the whole Infrastructure division. The fact that the Roads segment took full advantage of the rising economic activities in Mainland China while the Aviation segment capitalized on the fast growing global aviation industry clearly demonstrated the effectiveness of our market positioning strategy.

As anticipated, the diverse business environments in Hong Kong produced muddled results for the Services division. The Construction business maintained solid growth momentum as the local demand for property looks set to remain buoyant. However, this upbeat performance fell short of fully mitigating the downturn of the Facilities Management segment with Free Duty being affected by the sluggish tourist spending and rising cost base and the new GHK Hospital making losses albeit expected during its ramp-up.

With a diversified business portfolio, the Group is exposed to volatilities and ever changing business environments. The management team will remain committed to improving our profitability while proactively appraising and seizing investment and divestment opportunities to drive sustainable growth. Based on our past performance of the toll road business, the Group is confident that the acquisition of Suiyuenan Expressway in January 2018 will be both accretive and synergistic. The management strategic decision to partially dispose of the Group's interest in BCIA also demonstrated our ability to unlock the value of this investment as and when appropriate.

Back on home ground, competitive strategies are well in place to improve profit margins and tighten up the cost base of the Services division. Despite the competition from the rail network, the Group retains an optimistic outlook for NWS Transport and its subsidiaries in light of the stable oil prices while the application to raise bus fare awaits government approval. The management of Free Duty has made steadfast progress in developing new sales channels and implementing marketing initiatives to arrest the current downtrend. In view of the rising demand for quality private healthcare services in Hong Kong and Mainland China, GHK Hospital and Healthcare Assets are well positioned to capture the growth in this sector. The Group has won the tender to operate Phase II of HKCEC until 2028 and looks forward to leveraging our experience and expertise to optimize the operational efficiency of this world-class facility.

The Group's proven business model and strong underlying financial strength will continue to serve as the foundation for our long-term growth and success. Having incurred over HK\$2.6 billion in capital expenditures in the current financial year, the Group has further earmarked HK\$2 billion for potential investments until the end of FY2018. The Group is well prepared to undertake investment opportunities to fuel future growth and to embrace challenges ahead.

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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](http://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](http://www.nws.com.hk) for details.

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*Attachment: NWS Holdings' Condensed Consolidated Income Statement – Unaudited*

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'m</b>	HK\$'m
Revenue	<b>18,076.9</b>	13,846.0
Cost of sales	<u><b>(16,134.5)</b></u>	<u>(12,081.1)</u>
Gross profit	<b>1,942.4</b>	1,764.9
Other income/gains	<b>594.9</b>	892.2
General and administrative expenses	<u><b>(720.7)</b></u>	<u>(616.7)</u>
Operating profit	<b>1,816.6</b>	2,040.4
Finance costs	<b>(165.4)</b>	(289.1)
Share of results of		
Associated companies	<b>352.2</b>	254.0
Joint ventures	<u><b>909.9</b></u>	<u>926.9</u>
Profit before income tax	<b>2,913.3</b>	2,932.2
Income tax expenses	<u><b>(409.7)</b></u>	<u>(323.1)</u>
Profit for the period	<u><b>2,503.6</b></u>	<u>2,609.1</u>
Attributable to		
Shareholders of the Company	<b>2,478.1</b>	2,600.1
Non-controlling interests	<u><b>25.5</b></u>	<u>9.0</u>
	<u><b>2,503.6</b></u>	<u>2,609.1</u>
Earnings per share attributable to the shareholders of the Company		
Basic	<u><b>HK\$0.64</b></u>	<u>HK\$0.68</u>
Diluted	<u><b>HK\$0.64</b></u>	<u>N/A</u>