新創建 NWS

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For immediate release

NWS Holdings Announces FY2018 Annual Results

- **The Group achieved record-high revenue and earnings for FY2018**
- **Roads, Environment and Aviation of Infrastructure division recorded notable growth in earnings**
- **Mixed performances in Services division with Construction being the bright spot**
- **Dividend maintained at no less than 50% of Profit attributable to shareholders**

FINANCIAL HIGHLIGHTS

	FY2018 HK$ million	FY2017 HK$ million	Change +/(-)%
Revenue	**35,114.8**	31,385.0	12
Attributable Operating Profit (AOP)	**5,231.9**	4,840.3	8
Profit attributable to shareholders	**6,068.8**	5,628.9	8
Basic earnings per share (EPS)	**HK$1.56**	HK$1.46	7
Dividend per share	**HK$0.78**	HK$1.45	*

* *Total dividend for FY2018 increased by 7% after excluding the special dividend of HK$0.72 per share for FY2017*

Capital Expenditure: Over HK$5 billion

Total cash and bank balances: HK$6,657 million (as at 31 Dec 2017: HK$6,421 million)

Net gearing ratio: 7% (as at 31 Dec 2017: 13%)

AOP Performance for the year ended 30 Jun 2018

	HK$ million	Change +/(-)%
Infrastructure	**3,791.0**	**21**
- Roads	1,947.1	32
- Environment	494.1	26
- Logistics	654.6	2
- Aviation	695.2	14
Services	**1,440.9**	**(16)**
- Facilities Management	(73.1)	(124)
- Construction & Transport	1,212.9	7
- Strategic Investments	301.1	6

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(19 September 2018, Hong Kong) NWS Holdings Limited ("NWS Holdings" or the "Group"; Hong Kong stock code: 659) announced record high revenue and earnings for the year ended 30 June 2018 ("FY2018"). Revenue rose by 12% to HK$35,114.8 million (2017: HK$31,385.0 million). Attributable Operating Profit ("AOP") increased 8% to HK$5,231.9 million (2017: HK$4,840.3 million), reflecting the strong performance of Roads, Environment, Aviation, and Construction businesses despite the losses incurred by the Facilities Management segment.

Profit attributable to shareholders grew by 8% to reach a new high of HK$6,068.8 million (2017: HK$5,628.9 million), which included a profit from the partial disposal and fair value gain of approximately HK$1,879.8 million from Beijing Capital International Airport Co., Ltd. ("BCIA") in January 2018. The Group's interest in BCIA's total issued H shares was reduced from approximately 23.86% to approximately 12.79%. However, the partial disposal profit and remeasurement gain of BCIA was partly offset by an aggregate impairment loss of HK$600.0 million shared by the Group on three Infrastructure projects, namely Guangzhou Dongxin Expressway, Guangzhou City Nansha Port Expressway and Chengdu Jintang Power Plant in Sichuan Province.

The Board of Directors (the "Board") propose a final dividend of HK$0.46 per share (2017: final dividend of HK$0.39 per share). Together with the interim dividend of HK$0.32 per share (2017: HK$0.34 per share), total dividend for FY2018 will be HK$0.78 per share, a 7% increase compared with HK$0.73 per share for FY2017 (excluding special final dividend of HK$0.72 per share). The payout ratio is approximately 50.1%, which aligned with the dividend strategy declared by the Board in FY2005.

Infrastructure

This division experienced robust growth with AOP rose by 21% to HK$3,791.0 million. In addition to the rising operating profits from each segment, the positive exchange rate impact arising from the reversal of RMB depreciation trend also contributed to the overall earnings growth.

Roads

AOP from the Roads segment rose by 32% to HK$1,947.1 million in FY2018. Discounting the exchange rate effect, AOP would have increased by 10%, which was in line with the overall traffic volume growth of 10% as the Group's road portfolio continued to benefit from rising vehicle ownership and urbanization in Mainland China.

Both toll revenue and average daily traffic flow of Hangzhou Ring Road grew healthily by 5% in FY2018, reflecting the increase in long-haul truck traffic and passenger cars which grew alongside the rise of online sales and residential property development in the surrounding areas.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased by 19% as the expressway capitalized on the rising economic activities across the region under the Beijing-Tianjin-Hebei integration plan. Toll revenue grew notably by 27% mainly due to the traffic growth and the rise in truck traffic since mid-2017 when certain expressways in the area introduced traffic control measures to prohibit heavy vehicle patronage.

Most of the Group's expressways in the Pearl River Delta Region continued to register an increase in both traffic volume and toll revenue in FY2018. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 8% and 7% respectively while Shenzhen-Huizhou Expressway (Huizhou Section) experienced 13% traffic growth. Facing competitive pressure from nearby expressways which opened in December 2016, the traffic volume of Guangzhou-Zhaoqing Expressway dropped slightly by 1% in FY2018. Despite registering 23% and 16% traffic growth respectively in FY2018, Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway sustained operating losses, albeit at controllable levels. Based on the consultant reports on the projection of traffic growth of these two expressways and the subsequent impairment assessment using discounted cash flow method, impairment losses totalling HK$400 million were shared by the Group.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel grew by 2% in FY2018. The concession rights of this project subsequently ended in July 2018.

In January 2018, the Group successfully extended its footprint into Hubei Province by acquiring a 30% interest in Suiyuenan Expressway for a cash consideration of approximately RMB1.1 billion. In addition to providing immediate profit contribution, this fully-operational expressway continues to perform in line with management expectation.

<u>Environment</u>

AOP from the Environment segment increased by 26% to HK$494.1 million in FY2018. Riding on the rising demand for environmental services in Mainland China, both of the Group's environmental platforms – SUEZ NWS Limited ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. ("Derun Environment") contributed to the overall AOP growth. In addition, a net fair value gain of HK$62.6 million was recognized from Chongqing Silian Optoelectronics Science & Technology Co., Ltd. in FY2018.

The enlarged portfolio of SUEZ NWS established after the restructuring in FY2017 continued to provide a broader income base to the Group, with provision of services ranging from water and wastewater projects, waste treatment to design, engineering and procurement. The growth of the water business in FY2018 was mainly driven by a 9% increase in water sales and wastewater treatment volume, which reflected the full-year operating results of Pillar Point Sewage Treatment Plant in Hong Kong together with rising network income. Benefitting from extensive waste treatment capabilities and the timely opening of the third production line at the hazardous waste incineration plant in Shanghai Chemical Industrial Park in March 2017, the average daily volume of waste treated increased by 8%. Likewise, the expanded sludge drying facilities in Suzhou, which became operational in mid-2017, boosted the sludge treatment volume in FY2018. During FY2018, SUEZ NWS also expanded its total daily wastewater treatment capacity by 57,000 m^3 after securing three new sewage treatment projects in Jiangsu, Hainan and Shaanxi.

Derun Environment performed satisfactorily having successfully delivered organic growth in both water and waste-to-energy businesses, and commissioned a new waste-to-energy project in Chongqing in January 2018 which also raised its daily treatment capacity by 1,000 tonnes. The receipt of a lump sum value added tax subsidy for its sewage business also contributed to the AOP growth. Furthermore, Derun Environment demonstrated its capability having been awarded two contracts on river remediation and land restoration respectively in Chongqing and acquired several new waste-to-energy contracts with a total daily treatment capacity of 5,760 tonnes in Henan, Jiangsu and Zhejiang during FY2018.

Combined electricity sales volume of Zhujiang Power Station – Phase II and Chengdu Jintang Power Plant grew by 10% as extreme weather conditions drove up electricity demand during FY2018 although the positive impact was unable to offset the impact of persistently high coal price. Amid a tough operating environment, the Group shared an impairment loss of HK$200 million in Chengdu Jintang Power Plant. Despite a 43% increase in coal trading sales in FY2018, AOP of Guangzhou Fuel Company fell as the trading margin continued to be squeezed due to mounting competition in the downstream market and tightening supply from major coal mines.

Logistics

AOP from the Logistics segment increased by 2% to HK$654.6 million in FY2018.

ATL Logistics Centre continued to provide significant and stable AOP to the Logistics segment. Buoyed by the recovery of the retail market in Hong Kong in FY2018, its average rental rate grew by 4% while average occupancy rate remained high at 97.2%.

China United International Rail Containers Co., Limited ("CUIRC") reported a throughput growth of 8% to 2,730,000 TEUs in FY2018 which was underpinned by the development of rail container and sea-rail intermodal transportation and the newly opened Urumqi terminal. The logistics capabilities and services at Chongqing and Wuhan terminals were further enhanced in FY2018 following the construction of new warehouse facilities. However, CUIRC registered a drop in AOP mainly due to an 11% decrease in revenue arising from the cancellation of the special settlement policy of containerized break-bulk cargoes service in January 2018.

The Group's port projects maintained stable performance in FY2018. Throughput handled by Xiamen Container Terminal Group Co., Ltd. rose slightly by 1% to 8,248,000 TEUs. In Tianjin, throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. grew by 4% to 2,661,000 TEUs and 14% to 1,092,000 TEUs respectively in FY2018.

Aviation

This segment includes the Group's investments in commercial aircraft leasing business and BCIA. Despite the partial divestment of BCIA and its reclassification as an available-for-sale financial asset during FY2018, the segment still attained double-digit AOP growth from the steadfast expansion of Goshawk Aviation Limited ("Goshawk").

Goshawk continued to pursue growth opportunities by focusing on commercial aircraft that are young, in-demand, fuel efficient and equipped with modern technology and through customer diversification. During FY2018, Goshawk's fleet size grew from 84 to 105 aircraft and the average age of the aircraft as at 30 June 2018 was 3.5 years, while the customer base comprised of 43 airlines in 29 countries.

In addition to pursuing its established and proven portfolio trading strategy, Goshawk has taken significant steps to cement itself as a leading aircraft leasing company. Firstly, Goshawk entered into an agreement to acquire Sky Aviation Leasing International Limited ("SALI") in June 2018. The acquisition is expected to deliver synergistic values to Goshawk as both companies focus on young and popular narrow body aircraft with long lease terms. Secondly, Goshawk has secured future aircraft supply by ordering a total of 40 narrow-body aircraft directly from Airbus and Boeing. With the completion of the acquisition of SALI in September this year, the size and value of Goshawk's owned, managed and committed fleet has reached 223 aircraft and US$11.4 billion (equivalent to approximately HK$88.9 billion) respectively and thereby placing Goshawk as a top 10 aircraft lessor in the world. These strategic moves shall undoubtedly position Goshawk in establishing a comprehensive and integrated aircraft leasing platform to capture the high global demand for air travel in the foreseeable future.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited (“Bauhinia”), owned a fleet of six aircraft as at 30 June 2018. Subsequent to the exit of Aviation Capital Group LLC in January 2018, the Group and Chow Tai Fook Enterprises Limited (through its wholly owned subsidiary) increased their respective equity interest in Bauhinia from 40% to 50%. To enhance management efficiency, entire portfolio held by Bauhinia will be transferred to Goshawk in FY2019 and Bauhinia will be subsequently dissolved.

The total aircraft asset value under both of the Group’s aircraft leasing platforms reached US$4.7 billion as at 30 June 2018.

BCIA has been ranked the world’s second busiest airport in terms of passenger throughput since 2010. As aforementioned, the Group’s interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018. Thereafter, AOP contribution from BCIA only comprised dividend income.

Services

This division recorded an AOP of HK$1,440.9 million, representing a 16% decrease from FY2017. Enthused by the upbeat property market sentiments, the Construction business sustained its healthy growth momentum although the impact could not mitigate the underperformance of the Facilities Management segment as Free Duty experienced its first ever annual loss while Gleneagles Hong Kong Hospital (“GHK Hospital”) incurred initial operating losses during its ramp-up phase.

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 Hospital.

During FY2018, HKCEC hosted 1,061 events with over 8.2 million visitors. Despite rising cost pressures, HKCEC delivered stable revenue and earnings growth having secured 76 new exhibitions and conferences under various themes including sports and leisure, international franchising, hospitality, start-ups, cyber security, smart city and Internet of Things.

The Free Duty business swung into a loss in FY2018 as consumer spending remained soft although the operating results rebounded in the second half of FY2018 under a new concession contract. Having implemented multiple sales strategies to increase sales and profit margins the management is confident in arresting the current downtrend in the not too distant future.

GHK Hospital, in which the Group has 40% interest, was officially opened in late March 2018, around one year after commencing initial services. Notwithstanding the fact that it has so far performed in line with management expectation and enjoyed continuous patient volume growth, GHK Hospital reported its first annual loss as anticipated in FY2018 while it remained in its ramp-up phase. A wide range of clinical services, including Radiotherapy and Oncology Centre, Dialysis Centre, 24-hour Outpatient and Emergency Services, Obstetrics Service, Outpatient Psychiatry, PET-MR (Positron Emission Tomography - Magnetic Resonance Imaging) Service, were rolled out during FY2018. On another note, it is encouraging that GHK Hospital has been named one of the "2017 Best 50 Hospitals in the Guangdong-Hong Kong-Macau Greater Bay Area" by Asclepius Healthcare, a reputable healthcare management and research centre.

To capture the growing demand for healthcare services in Mainland China, the Group has invested through its associated companies, Healthcare Assets Management Limited and UMP Healthcare China Limited, to tap into the local primary healthcare market.

Construction & Transport

AOP contribution from the Construction business increased notably by 16% to reach a new record of HK$1,055.3 million in FY2018 mainly due to the continuous improvement in gross profit and satisfactory job progress.

In June 2018, the Group entered into a conditional sale and purchase agreement with a wholly owned subsidiary of New World Development Company Limited ("NWD") for the disposal of Celestial Path Limited, its subsidiaries and an unincorporated joint venture (collectively, the "Hip Seng Group") at a cash consideration of HK$168 million. Hip Seng Group mainly acts as the main contractor or project manager for NWD and its associates. Assets and liabilities of Hip Seng Group were reclassified as held-for-sale as at 30 June 2018. Completion of the disposal took place on 21 August 2018.

The Group will continue to carry on its construction business through NWS Construction Limited and its subsidiaries (collectively, "Hip Hing Group"), joint ventures and associated companies, which has long been a major AOP contributor to the Group. As at 30 June 2018, the gross value of contracts on hand for Hip Hing Group was approximately HK$47.1 billion and the remaining works to be completed amounted to approximately HK$21.2 billion.

Under the combined impact of declining fare revenue and escalating operating expenses, profit of public bus operations of NWS Transport Services Limited ("NWS Transport") and its subsidiaries (collectively, "NWS Transport Group") fell substantially by 63% from HK$339.9 million to HK$127.3 million in FY2018 despite the drop in fuel costs under the hedging programme. Correspondingly, AOP from the Group's Transport business decreased by 29% to HK$157.6 million, with the additional contribution from NWS Transport as a wholly owned subsidiary of the Group partly offsetting the abovementioned negative effects in FY2018. The comprehensive review aimed to shorten the working hours of the bus drivers by 2019 will most likely lead to a higher cost base. As previously reported, New World First Bus Services Limited and Citybus Limited applied for a fare increase of 12% in August 2017 on the grounds of rising operational costs. The result is still being awaited.

<u>Strategic Investments</u>

This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of the shareholders. The AOP for FY2018 mainly comprised the share of profits and the dividends from certain investments.

Outlook

The Group's relentless pursuit of value creation and quest for excellence led to another record breaking financial year. Our strategic focus on high-quality and cash-generative assets, and prudent capital allocation, have proven to be critical to our success in continuous business growth. Furthermore, as an advocate to active management practices, the Group makes every effort to consolidate and strengthen the asset portfolio to maximize synergy and efficiency and evaluate divestment opportunities to unlock the true economic value of the underlying assets on an ongoing basis.

Benefitting from the development of the Construction & Transport segment, revenue of the Group grew by 12% to reach an all-time high of HK$35.1 billion in FY2018. Bearing in mind the overall savings in finance costs and expenses in FY2018, the Group prevailed in delivering top-line growth while tightening the cost base.

Having registered continued organic growth across all segments and with strategic growth catalysts in place, the outlook of Infrastructure division is indeed encouraging. Apart from the traffic volume growth arising from urbanization and regional development, the Roads segment will benefit from the full-year contribution from Suiyuenan Expressway in FY2019. At the same time, the Group will actively seek road acquisition opportunities to capitalize on the rising vehicle ownership and logistics industry in Mainland China. The strong project pipeline and the demand for sustainability development will support the long-term growth of the Environment segment. Although the reduction in AOP contribution from BCIA will affect the results of the Aviation segment in FY2019, this impact can be mitigated by the continuous growth of Goshawk.

The mixed outlook of the Services division is set to persist but to a lesser extent. Backed by the successes in winning competitive tenders and solid professional reputation, Hip Hing Group will stay focused on attaining jobs that can deliver healthy profit margins and providing quality services. Conversely, NWS Transport Group will have to navigate rising cost pressures pending the outcome of the fare increase application. At the same time, Hong Kong Convention and Exhibition Centre (Management) Limited will face more challenges under the new operating agreement for Phase II of HKCEC. In light of the improvement in Free Duty's business since early 2018 and the ability and timeliness of GHK Hospital in achieving business objectives since commencing operations, the Group is confident in its ability to arrest the downtrend for the Services division.

As evidenced by the low net gearing ratio and the strong recurring cash flows, the Group has a deep war chest and full financial flexibility to undertake sizeable investments with good growth prospects. Having incurred over HK$5 billion in capital expenditures in FY2018, the Group will set aside HK$7 billion for potential investments in FY2019. However, in identifying new investment opportunities, the Group will remain mindful and diligent in preserving the defensive nature of our diversified asset portfolio, especially in light of the ongoing geopolitical uncertainty, exchange rate volatility and the rising interest rate environment.

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Attachment: NWS Holdings' Condensed 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' Condensed Consolidated Income Statement

	For the year ended 30 June	
	2018	2017
	HK$'M	HK$'M
Revenue	**35,114.8**	31,385.0
Cost of sales	**(31,331.6)**	(27,763.2)
Gross profit	**3,783.2**	3,621.8
Other income/gains	**2,809.4**	1,105.2
General and administrative expenses	**(1,466.4)**	(1,293.7)
Operating profit	**5,126.2**	3,433.3
Finance costs	**(348.0)**	(468.3)
Share of results of		
Associated companies	**756.2**	1,590.9
Joint ventures	**1,331.2**	1,774.5
Profit before income tax	**6,865.6**	6,330.4
Income tax expenses	**(745.0)**	(685.2)
Profit for the year	**6,120.6**	5,645.2
Attributable to		
Shareholders of the Company	**6,068.8**	5,628.9
Non-controlling interests	**51.8**	16.3
	6,120.6	5,645.2
Earnings per share attributable to the shareholders of the Company		
Basic	**HK$1.56**	HK$1.46
Diluted	**HK$1.56**	N/A