

NWS Holdings Announces Annual Results 2006
HIGHLIGHTS

| | (Restated) | | Change % |
|--|----------------------|----------------------|-------------|
| | 2006 HK\$ million | 2005 HK\$ million | |
| Turnover | 12,543.9 | 10,286.1 | 22 |
| Profit attributable to shareholders of the Company | 1,656.6 | 2,886.1 | (43) |
| Total assets | 25,587.6 | 25,165.5 | 2 |
| Earnings per share - Basic | HK\$0.89 | HK\$1.60 | (44) |
| Total dividend per share | HK\$0.44 | HK\$0.80 | (45) |

- Net debt: HK\$1.981 billion (30 June 2005: HK\$2.334 billion)
- Gearing ratio: 13% (30 June 2005: 17%)
- Cash and bank balances: HK\$2.5 billion (30 June 2005: HK\$3.6 billion)
- Net gain on disposal of projects: HK\$152.5 million

(9 October 2006, Hong Kong) NWS Holdings Limited (“NWS Holdings” or the “Group”; Hong Kong stock code: 0659) today announced its annual results for the year ended 30 June 2006.

Profit attributable to shareholders has decreased by 43% to HK\$1.657 billion (2005: HK\$2.886 billion). This drop was solely attributable to the exceptional gain of HK\$1.777 billion the Group made as a result of its disposals of Container Terminal No.3 and Container Terminal No.8 West in Hong Kong during FY2005. When this gain is excluded, the Group actually recorded an increase of 49% in net profit. Attributable Operating Profit (“AOP”) increased by 37% to HK\$1.938 billion.

The Board of Directors has resolved to recommend a final dividend for the year ended 30 June 2006 in scrip form equivalent to HK\$0.20 per share with a cash option to shareholders registered on 21 November 2006. The final dividend will be paid to shareholders on or about 29 December 2006. Together with the interim dividend of HK\$0.24 per share, total dividend for the year will be HK\$0.44 per share (2005: HK\$0.80). The dividend payout ratio of 50% remains the same as in FY2005.

Page 1 of 8

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 ▪ Service & Rental 服務及租務



The Group continues to have a very healthy capital structure. As at 30 June 2006, the Group's total cash and bank balances amounted to HK\$2.548 billion, while net debt dropped 15% to HK\$1.981 billion. As a result of its stable recurring cash flow and strong financial position, the Group's gearing ratio was reduced to 13% as at 30 June 2006.

Stable Growth for Infrastructure Businesses

Mainland China's continued strong economic development meant the performance of the Group's Infrastructure businesses was satisfactory. The AOP of the Group's Infrastructure division recorded a steady growth of 11%, reaching HK\$1.116 billion during FY2006.

Energy

Performance of the Group's Energy segment remained stable, generating an AOP of HK\$487.8 million in FY2006 (FY2005: HK\$489.9 million). Aggregate sales revenue of Zhujiang Power Plants for the year grew by 5%, while combined electricity sales increased by 1%. A joint venture of the Group that is involved in manufacturing and supplying aerated concrete for the Pearl River Delta region also contributed to the Energy segment's profitability during FY2006. In Macau, an 11% increase in electricity sales meant the overall performance of Macau Power was satisfactory. The company's contribution to the Group's profit remained stable given the terms governed by the profit control scheme.

In Mainland China, the second round of the "coal-tariff adjustment" mechanism was made effective in July 2006, which will minimize the impact of coal price increases and thus improve profit margin. In Macau, rising oil-fuel prices have put pressure on self-production and the Macau SAR Government has ceased to expand local generating capacity. As a result, Macau Power will continue to import electricity from the Southern Grid in China.

Roads

The Group's Roads segment performed remarkably well, generating an AOP of HK\$469.1 million in FY2006, a 26% surge when compared with the AOP for FY2005. Projects within the Pearl River Delta region all achieved outstanding performance levels. Average daily traffic flow on Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and combined average daily traffic flows along Shenzhen-Huizhou Roadway and Expressway all recorded double-digit growth. Moreover, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) commenced operations in December 2005. Expressways in other regions also performed satisfactorily. Average daily traffic

flows along the Wuhan Airport Expressway and Tangjin Expressway (Tianjin North Section) posted a growth of 14% and 3% respectively in FY2006.

The Group continued to consolidate its portfolio and divest investments that had generated lower than expected returns. In FY2006, NWS Holdings disposed of its respective interests in Hui-Ao Roadway and Roadway No.1906 (Qingcheng Section), generating respective disposal gains of HK\$68.7 million and HK\$65.7 million.

It is expected the Group's road projects in the Pearl River Delta will continue to benefit from the strong economic growth in the region. In October 2005, China's Ministry of Communications published a plan to expand Mainland China's existing road network to 85,000 km, which will involve the construction of an additional 20,000 km of expressways by 2010. As one of the major investors in the Pearl River Delta's road network, the Group is ideally placed to develop opportunities in other high-growth regions in Mainland China.

Water

The AOP of the Group's Water segment climbed to HK\$87.4 million in FY2006, an 8% increase over FY2005. The performance of the Group's water projects in Mainland China was satisfactory. Chongqing Water Plant achieved a respectable growth of 12% in water sales revenue and also a substantial increase in income derived from water connection works. Average daily water sales volumes at Macau Water Plant achieved a year-on-year increase of 6% over FY2005. This result was negatively impacted by an average increase of 16% in raw water tariffs and an increase in operating costs due to seasonal salinity problem in early 2006.

At Shanghai Chemical Industry Park (the "Park"), the Group's new water treatment and wastewater treatment plants commenced operations in early 2005, while the Group's hazardous waste incinerator project became operational in August 2006. Due to heavy demand for wastewater treatment services in the Park, the wastewater treatment plant is expected to reach full capacity by the end of 2006. As a result, the joint venture company has now started the phase three investment. Also, Macau Water Plant has scheduled to extend its treatment capacity in order to cope with the increasing demand.

In December 2005, the National Development and Reform Commission indicated that it would implement water tariff reforms during 2006. Its proposed set of measures includes expanding the scope of fee charges for water resources and raising city water and sewage tariffs. Such steps are likely to

provide our concessionary projects with a favourable climate when applying for an increase in water tariffs.

Ports

The AOP of the Group's Ports segment was HK\$71.7 million in FY2006, an increase of 11% over FY2005. The performance of Xiamen New World Xiangyu Terminals Company Limited was outstanding with a 16% throughput growth to 736,000 TEUs in FY2006. In November 2005, the Group acquired an 18% interest in Tianjin Five Continents International Container Terminal Company Limited that has been in operation. In FY2006, Tianjin Orient Container Terminals Co., Ltd. has achieved a throughput growth of 5%. However, due to the closure of this terminal's coal berth in March 2005, its contribution decreased 26% from FY2005.

As the growth of Tianjin port is restrained by the limited handling capacity of its terminals, the Tianjin port is accelerating container terminal developments in its North Basin and Man-made Island. Under China's 11th Five-Year Plan, Xiamen port will further expand its overall handling capacity by developing new port zones in Haicang, Songyu and Liuwudian. Xiamen's ultimate aim is to replace Kaoshiung as the region's key transshipment hub.

Strong Growth for Service & Rental Division

Largely driven by the turnaround of the Group's Contracting segment, the AOP of the Group's Service & Rental division in FY2006 reached HK\$821.6 million, a 103% increase over FY2005.

Facilities Rental

Comprising Hong Kong Convention and Exhibition Centre ("HKCEC") and ATL Logistics Centre ("ATL"), the Group's Facilities Rental segment continued to be a steady source of profits and cash inflow to the Group. This segment recorded an AOP of HK\$390.7 million for FY2006, a 2% increase over FY2005.

HKCEC continued to achieve satisfactory results in FY2006 with average occupancy rate rising 5% to achieve a record high of 58%. During the year, HKCEC showcased more than 1,300 events serving over 4.9 million guests. ATL has also benefited from the ongoing recovery of the local economy and increasing number of visitors from Mainland China. This company recorded a steady profit with average occupancy rate reaching 96% in FY2006.



With the respective strengths of HKCEC and ATL coupled with the continuous growth of Hong Kong economy, it is expected the Facilities Rental segment will continuously deliver stable contributions to the Group's AOP.

Contracting

The Group's Contracting segment has improved significantly, turning a loss during FY2005 into a profit of HK\$163.0 million in FY2006. Leveraging its proven expertise in managing mega-sized, high quality construction projects, Hip Hing Construction Company Limited is among the most competitive and major players in Macau and has secured several large-scale hotel and casino contracts there. Having diversified the operations beyond Hong Kong to Mainland China and Macau, the performance of the Group's Engineering and Mechanical businesses was satisfactory in FY2006. As at 31 August 2006, contract-on-hand held by the Contracting segment reached HK\$29 billion, 38% of which was from Macau.

It is expected Macau will continue to be a significant source of income for this segment for the foreseeable future given that entertainment and gaming clients are willing to pay premium prices for high quality work. In Hong Kong, the Government has pledged to build new infrastructure and to improve public facilities. These steps will also provide ample business opportunities within this segment.

Transport

The Group's Transport segment achieved an AOP of HK\$85.6 million in FY2006, a 33% increase over FY2005. However, this increase was mainly due to an impairment provision made for certain vessels and investment in FY2005, which were not required to be made in FY2006. Excluding these impairment provisions, there was a 20% decrease in AOP owing to the AOP drop for the Group's local bus businesses and the registered loss achieved by the Group's local ferry operation. Over the past year, the Transport segment has suffered from escalating fuel prices that have increased by nearly 30% on average. Other cost factors such as the rise in interest rates, tunnel tolls and vessel maintenance have also weakened the profitability of this segment.

The Transport segment will continue to implement all possible cost reduction measures through better resources allocation and utilization. Such steps will help minimize the adverse impact of various cost increases and intensified market competition arising from the proposed merger of the two railways in



Hong Kong. At the same time, the Group will actively seek business development opportunities in Mainland China and overseas.

Others

The Group's Others segment comprises various service businesses for which AOP decreased by 13% to HK\$182.3 million in FY2006. This decrease was largely due to the closure of certain subsidiary companies and keen competition within the local market.

Free Duty retailing duty free tobacco and liquor at Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre benefited from the rebound of Hong Kong's tourism industry. With new retail outlets with a total area of approximately 28,000 sq ft to be open at Lok Ma Chau KCRC Station in early 2007, it is expected Free Duty will continually deliver steady revenues for the Group.

Tricor Holdings Limited achieved excellent results with a year-on-year growth of 40%, while Tai Fook Securities Group Limited and New World Insurance Management Limited reported stable results in FY2006.

Despite tough market competitions, property management business contributed a stable profit to the Group. The Group will continue to explore business opportunities in Mainland China.

Sustainability of Growth

Commenting on the results, Dr Cheng Kar Shun, Henry, Chairman of NWS Holdings, said, "I am delighted the Group has once again fulfilled its promise of enhancing shareholder value. The Group always strives to look after its shareholders' interests. To this end, NWS Holdings will maintain a stable dividend policy. The Group will also uphold its strong financial position and optimal capital structure in order to fuel its future expansion. Capitalizing on its strengths and having established a strong foothold in the region, NWS Holdings will continually seek long-term growth in its core businesses in Hong Kong, Mainland China and Macau."

Looking ahead, Dr Cheng added, "With the ongoing support and devotion of my fellow directors, our senior management and 42,000-strong workforce in the region, I remain confident that NWS Holdings will continue to sustain its momentum and growth."

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Page 6 of 8



Attachment: NWS Holdings Limited's Consolidated Income Statement

This press release is also posted at the Group's website (www.nwsh.com.hk).

NWS Holdings Limited

NWS Holdings Limited ("NWS Holdings", Hong Kong stock code: 0659), the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 0017), embraces a diversified range of businesses in Hong Kong, Mainland China and Macau. Its **Infrastructure** portfolio includes Energy, Roads, Water and Ports projects. Its **Service & Rental** division comprises Facilities Rental (the management of *Hong Kong Convention and Exhibition Centre* and *ATL Logistics Centre*), Contracting (*Hip Hing Construction Group* and *NWS Engineering Group*), Transport (*New World First Bus*, *Citybus* and *New World First Ferry*), etc.

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Attachment

**NWS HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT**

**For the year
ended 30 June**

| | 2006 HK\$'m | 2005 HK\$'m (restated) |
|---|------------------------|------------------------------|
| Turnover | 12,543.9 | 10,286.1 |
| Cost of sales | (11,444.6) | (9,568.2) |
| Gross profit | 1,099.3 | 717.9 |
| Other income | 355.1 | 2,117.4 |
| General and administrative expenses | (774.7) | (821.2) |
| Other charges | (30.0) | (59.9) |
| Operating profit | 649.7 | 1,954.2 |
| Finance costs | (253.8) | (227.1) |
| Share of results of | | |
| Jointly controlled entities | 909.4 | 862.2 |
| Associated companies | 476.6 | 360.7 |
| Profit before income tax | 1,781.9 | 2,950.0 |
| Income tax expenses | (104.7) | (67.4) |
| Profit for the year | 1,677.2 | 2,882.6 |
| Attributable to: | | |
| Shareholders of the Company | 1,656.6 | 2,886.1 |
| Minority interests | 20.6 | (3.5) |
| | 1,677.2 | 2,882.6 |
| Dividends | 845.8 | 1,464.2 |
| Earnings per share attributable to shareholders of the Company | | |
| Basic | HK\$0.89 | HK\$1.60 |
| Diluted | HK\$0.85 | HK\$1.52 |