



# NWS Holdings Limited

**FY2019 Interim Results Announcement  
Analyst Presentation**

26 February 2019

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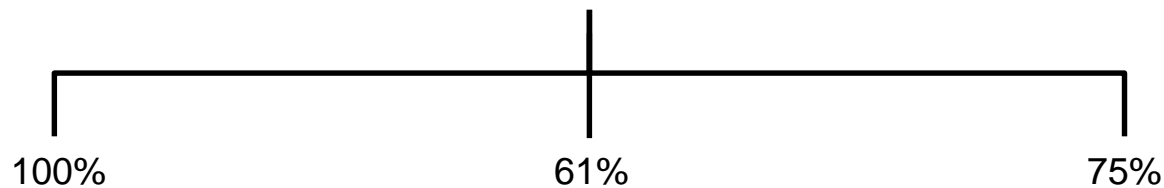
# Section 1

## *NWS Business Overview*

# NWS Overview



17.HK  
Market Cap: HK\$134Bn<sup>(1)</sup>

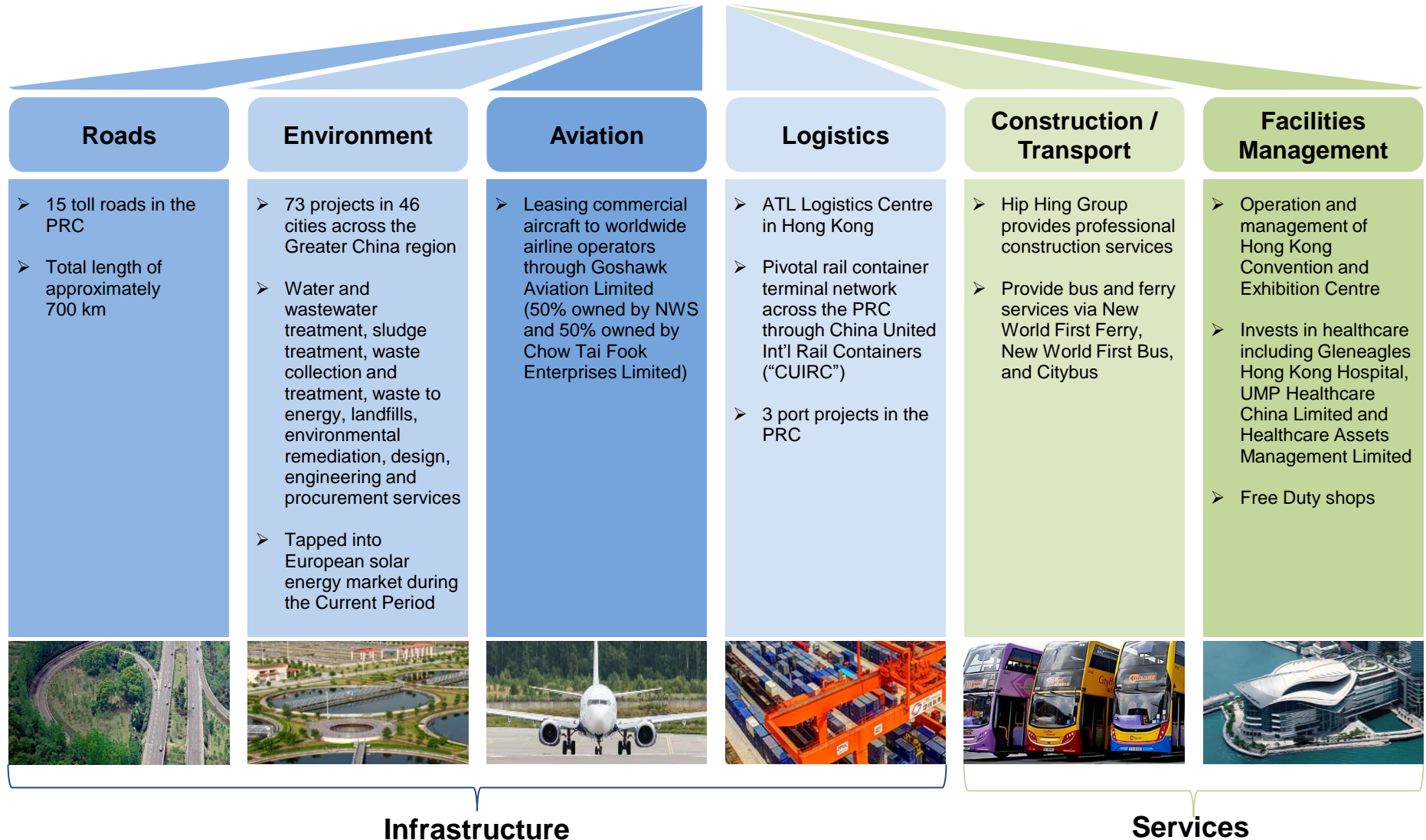


**NWS Holdings Limited**  
("NWS")  
659.HK  
Market Cap: HK\$80Bn<sup>(1)</sup>



825.HK  
Market Cap: HK\$3Bn<sup>(1)</sup>

# NWS at a Glance



**Diversified business portfolio focused on stable, long-term yielding assets and value-added services**

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# Section 2

## *Company Highlights*

# Company Highlights



Experienced Management Team with Diverse Background



Resilient Portfolio with Highly Visible Recurring Income



Revitalize the Business Portfolio while Generating Strong Cash Flow and Recurring Income



Optimize Capital Structure with Prudent Financial Policy



# Experienced Management Team with Diverse Background

## Senior Management



**Dr Cheng Kar Shun, Henry**  
*Chairman*

- Chairman of New World Development Company Ltd (“NWD”), New World Department Store, and New World China
- Chairman of NWS since 2001



**Mr Cheng Chi Ming, Brian**  
*Executive Director*

- Chairman of Goshawk and director of SUEZ NWS
- Board member of NWS for over 10 years
- Experience in infrastructure businesses and investments
- Worked in international investment bank



**Mr Ma Siu Cheung**  
*CEO, Executive Director*

- Former Secretary for Development of HK
- Holds several fellowships, including: Hong Kong Institution of Engineers, and the Institution of Civil Engineers, United Kingdom
- Appointed as Justice of the Peace in 2014
- Former senior executive of an infrastructure multinational corporation



**Mr Ho Gilbert Chi Hang**  
*Executive Director*

- Former senior investment director of NWD with over 10 years of experience in investment management
- Former partner in international law firm
- Experience in M&A, capital markets, corporate finance and corporate management
- Admitted as lawyer in England & Wales and fellow member of CPA Australia



**Mr Chow Tak Wing**  
*Executive Director, Company Secretary*

- Former senior executive of several Hong Kong listed public companies and international accounting firm
- Member of the Hong Kong Institute of CPAs
- Oversee NWS finance and treasury function since 2002



**Mr Cheung Chin Cheung**  
*Executive Director*

- Former member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council
- Over 27 years of experience in infrastructure businesses

## Robust Corporate Governance



Seasoned management with in-depth knowledge of NWS businesses



Extensive public and private sector experience in civil and infrastructure planning, logistics & transport, real estate & construction, investments & financial management











Professional expertise in public administration, legal accounting & finance, corporate finance, and investment



# Resilient Portfolio with Highly Visible Recurring Income

Majority AOP with strong earnings visibility

		Key Highlights	Key Operating Drivers		
Roads		<ul style="list-style-type: none"> <li>✓ Strategic locations targeting diverse users</li> <li>✓ 7 road projects in Greater Bay Area <sup>(1)</sup></li> <li>✓ Extended network to Hunan in Dec 2018 with 40% stake of Hunan Sui-Yue Expressway</li> </ul>	<ul style="list-style-type: none"> <li>• Greater Bay Area</li> <li>• Traffic growth</li> <li>• Economic activity</li> <li>• Urbanization</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Concession-based</b> assets with <b>high visibility and stable cashflows</b></li> <li>• <b>Diverse localities</b> in the PRC, driven by <b>urbanization</b> trends</li> </ul>	
Environment		<ul style="list-style-type: none"> <li>✓ 2% increase in water and wastewater treatment volume in FY2019-1H</li> <li>✓ 6% increase in average daily waste treatment volume in FY2019-1H</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental awareness</li> <li>• Population growth</li> <li>• Economic activity</li> </ul>		
Logistics		<ul style="list-style-type: none"> <li>✓ ATL Logistics Centre average occupancy increased to 99.4% in FY2019-1H</li> <li>✓ CUIRC throughput growth of 26% in FY2019-1H</li> </ul>	<ul style="list-style-type: none"> <li>• Belt and Road Initiative</li> <li>• Economic activity</li> <li>• Trade Globalization</li> </ul>		
Aviation		<ul style="list-style-type: none"> <li>✓ Completion of Sky Aviation acquisition in Sep 2018, Goshawk's fleet size grew to 216 as of 31 Dec 2018</li> <li>✓ Direct orders with Airbus and Boeing</li> <li>✓ Long remaining lease terms</li> </ul>	<ul style="list-style-type: none"> <li>• Global travel / passenger growth</li> <li>• Aircraft acquisition</li> <li>• Airline operators preference to lease rather than own aircraft</li> </ul>		<ul style="list-style-type: none"> <li>• Driven by <b>rapidly expanding</b> global air traffic and commercial aircraft demand</li> </ul>
Construction &		<ul style="list-style-type: none"> <li>✓ Sustainable growth from HK\$22.1Bn backlog (FY2019-1H)</li> <li>✓ JV<sup>(2)</sup> awarded HK\$30Bn Kai Tak Sports Park project<sup>(2)</sup> in Dec 2018</li> <li>✓ Hip Hing was granted HK\$1.4Bn construction management contract</li> </ul>	<ul style="list-style-type: none"> <li>• HK infrastructure spending including schools &amp; hospitals</li> <li>• Residential and commercial construction activity in HK</li> </ul>		
Transport		<ul style="list-style-type: none"> <li>✓ Average daily patronage of over one million in FY2019-1H</li> <li>✓ Received government approval to raise overall weighted average fares by 9.9% in Jan 2019<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Commuting patterns</li> <li>• Fare increases</li> <li>• New routes</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Strong backlog</b> of contracts</li> </ul>
Facilities Management	 	<ul style="list-style-type: none"> <li>✓ 521 events with an approx. 5.2m total patronage in FY2019-1H despite rising cost pressures</li> <li>✓ Gleneagles Hong Kong Hospital officially opened in Mar 2018</li> <li>✓ Ramping up after first year of operations</li> <li>✓ Located at key cross-border transport terminals</li> <li>✓ New shop commenced operation at HK-ZH-Macau Bridge in Jan 2019</li> </ul>	<ul style="list-style-type: none"> <li>• HK convention attendance</li> <li>• Consumers in HK and Macau</li> <li>• Structural population trends</li> <li>• Hospital patients flow</li> <li>• Spending power of cross border travelers</li> <li>• Travel policies</li> </ul>		

Note:

1. 7 road projects in GBA namely Guangzhou City Northern Ring Rd, Guangzhou City Nansha Port Expy, Guangzhou Dongxin Expy, Beijing-Zhuhai Expy (Guangzhou-Zhuhai Section), Beijing-Zhuhai Expy (Guangzhou-Zhuhai Northern Section), Guangzhou-Zhaoqing Expy and Shenzhen-Huizhou Expy (Huizhou Section)

2. JV is 75% owned by NWD and 25% owned by NWS

3. For Citybus(F1) (franchise for HK Island and Cross Harbour Bus Network) and New World First Bus

# Revitalize the Business Portfolio while Generating Strong Cash Flow and Recurring Income

## Recent Acquisitions



- Hunan Sui-Yue Expressway (湖南隨岳高速)
- MOU of Guangxi Guiwu Expressway (廣西貴梧高速)



- Sky Aviation Leasing Int'l Limited
- Direct order from Airbus and Boeing



- FTLife Insurance

## Restructuring & Disposal



- Hip Seng Group



- Urban Parking (Beijing) Limited

Targeting businesses with robust growth potential while generating strong cash flow and recurring income to boost stability of AOP

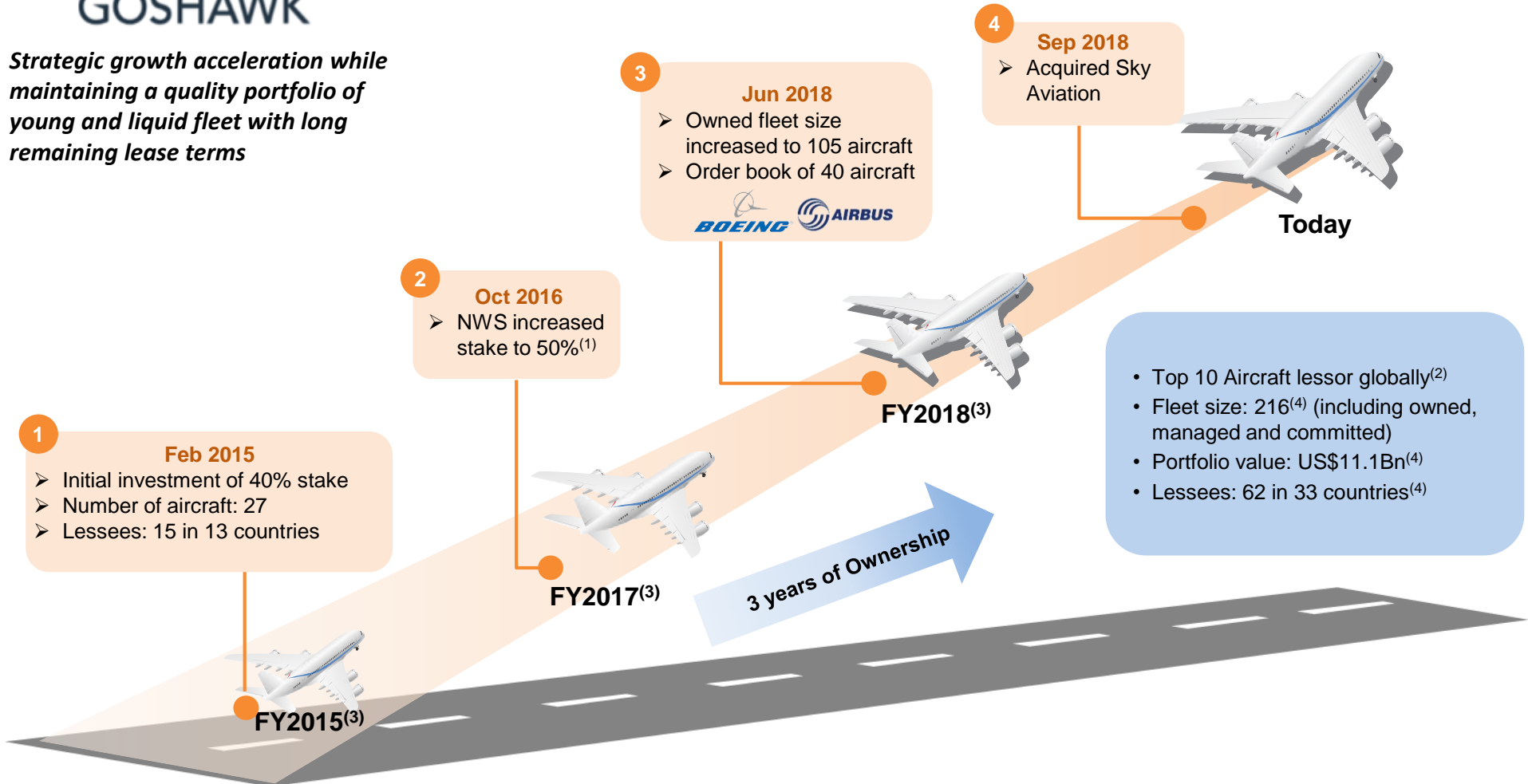
Recognized net gain of HK\$180.8MM

**Strong Track Record in Managing New Businesses through Mergers & Acquisitions – Goshawk is an Excellent Example**

# Case Study – Growth of Goshawk to Global Top 10 Player under NWS Ownership



*Strategic growth acceleration while maintaining a quality portfolio of young and liquid fleet with long remaining lease terms*



Note:

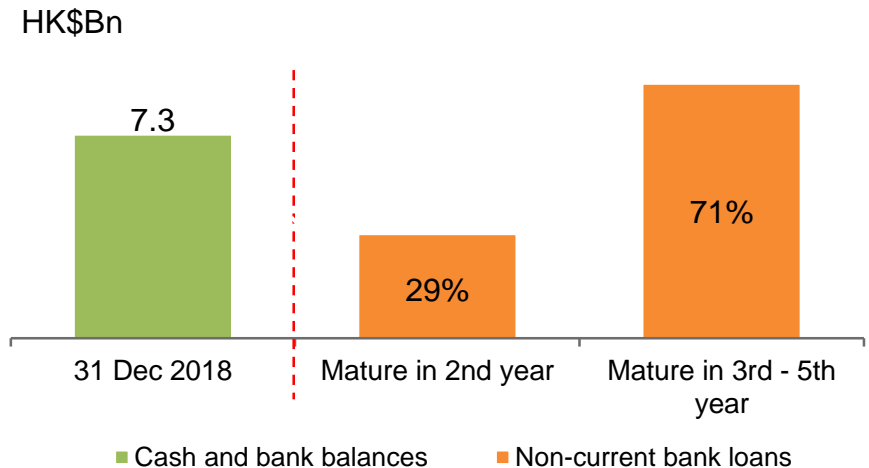
1. Goshawk became 50:50 owned by NWS and Chow Tai Fook Enterprises Limited (being substantial shareholder of NWD)
2. Post Sky Aviation Leasing Int'l Limited ("Sky Aviation") acquisition
3. Fiscal year ended 30 June
4. As at 31 Dec 2018

# Optimize Capital Structure with Prudent Financial Policy

## NWS Financial Policy

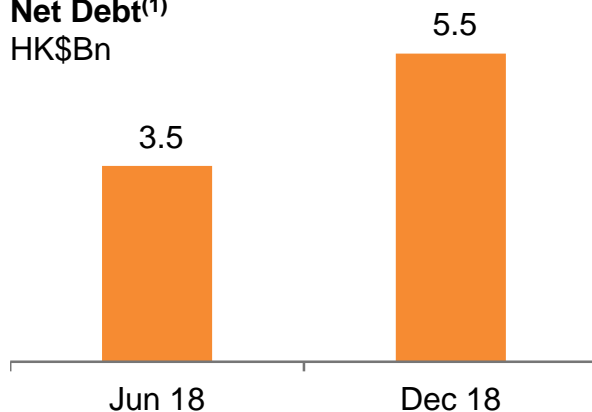
- Ample cash on balance sheet with HK\$7.3Bn as at 31 Dec 2018
- Prudent financial policy and well managed maturity profile allows NWS to maintain financial flexibility for operations, potential investments and growth plans
- Well supported by local and international banks with approx. HK\$7.6Bn of unutilized committed banking facilities as at 31 Dec 2018

## Debt Maturity Profile

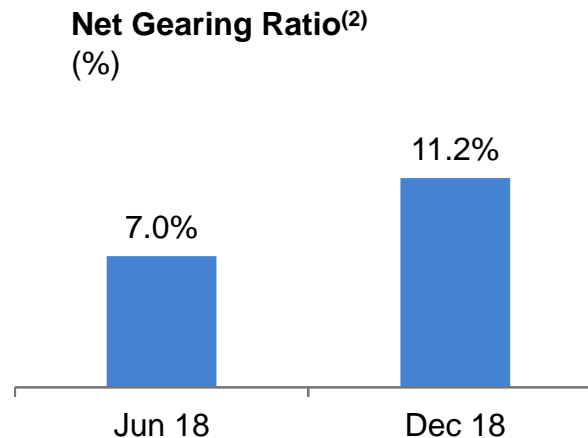


## Current leverage as of 31 Dec 2018

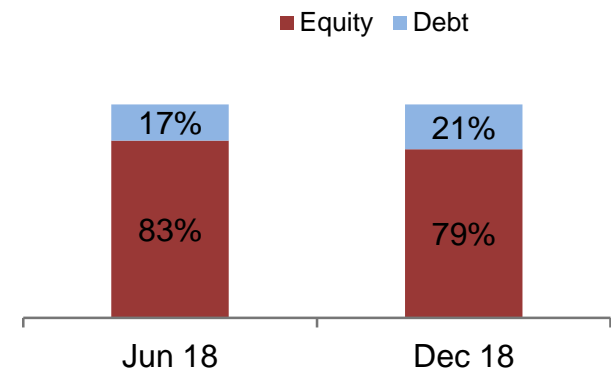
Net Debt<sup>(1)</sup>  
HK\$Bn



Net Gearing Ratio<sup>(2)</sup>  
(%)



Capital Structure - Debt & Equity



**Actively optimizing our balance sheet with prudent financial policy – recent issuance of a US\$1Bn Perpetual Bond with a 5.75% coupon in Jan 2019**

Note:

1. Net debt defined as total debt less cash and bank balances and short-term deposits

2. Net gearing ratio defined as net debt divided by total equity

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# Section 3

## *FY2019-1H Financial Summary*

# Financial Summary

For the six months ended 31 December	2017 (HK\$MM)	2018 (HK\$MM)	YoY change %
Revenue	18,076.9	14,188.0	(22)
- Infrastructure	1,328.3	1,450.1	9
- Services	16,748.6	12,737.9	(24)
Attributable Operating Profit (AOP) <sup>(1)</sup>	2,682.1	2,431.9	(9)
Profit Attributable to Shareholders (PAT)	2,478.1	2,274.3	(8)
Basic Earnings per share (HK\$)	0.64	0.58	(9)
Dividend per share (HK\$) – Interim	0.32	0.29	(9)

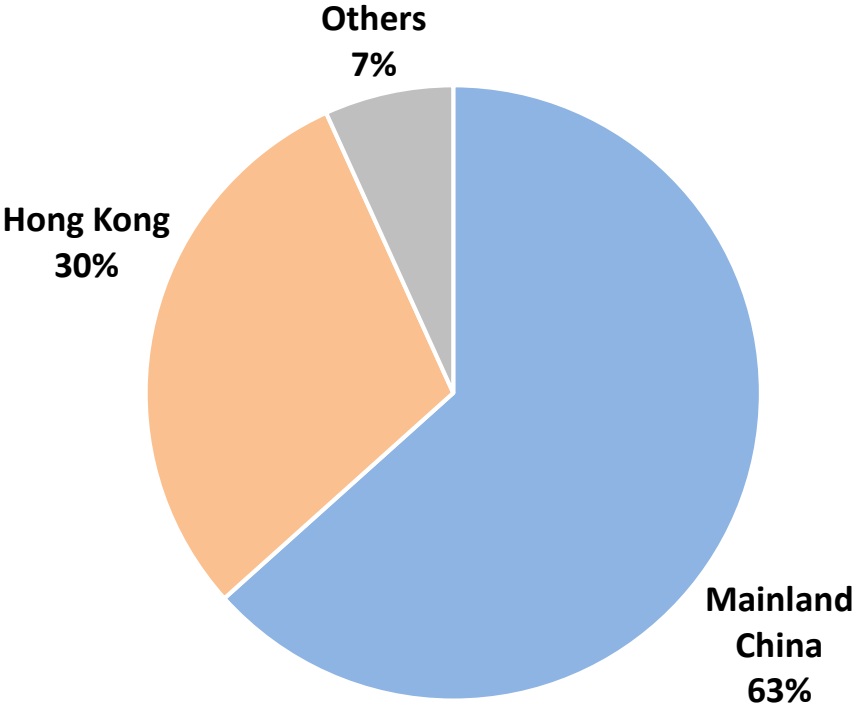
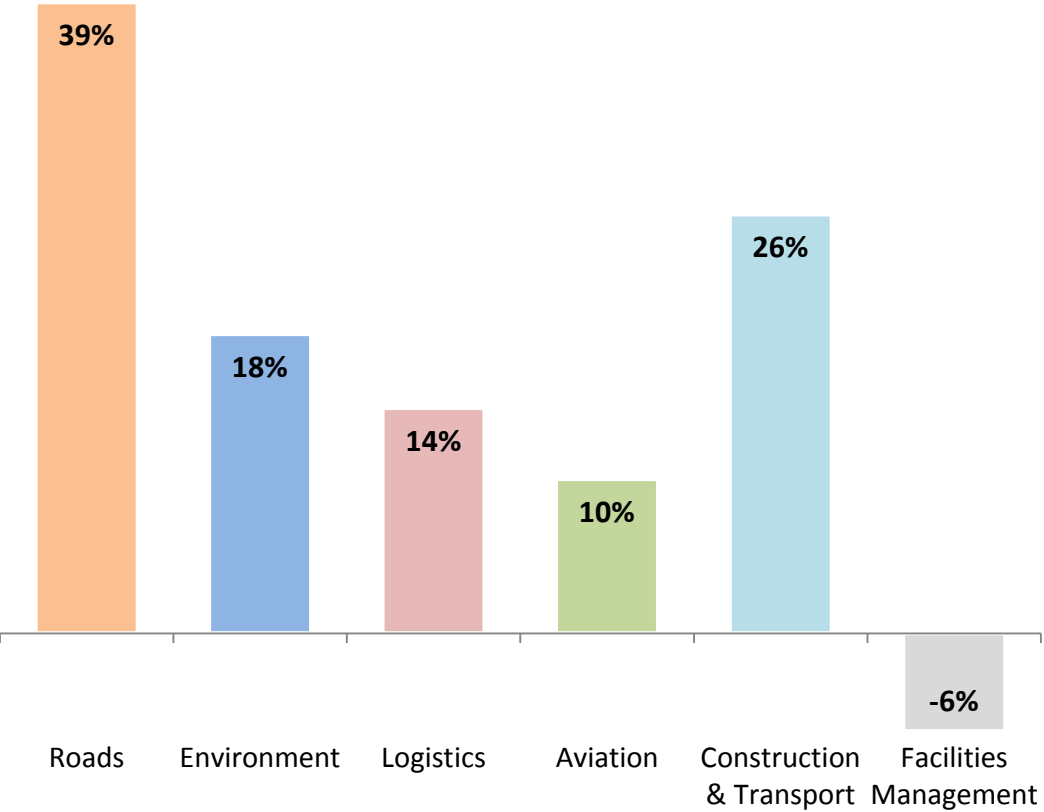
• Disposal of Hip Seng Group

	As at 30 Jun 2018 (HK\$MM)	As at 31 Dec 2018 (HK\$MM)
Total cash and bank balances	6,657	7,276
Total debt	10,175	12,815
Net debt position	3,518	5,540
Net gearing ratio	7%	11%

# AOP by Segment and Geography

AOP by Segment

AOP by Geography



# Performance by Segment

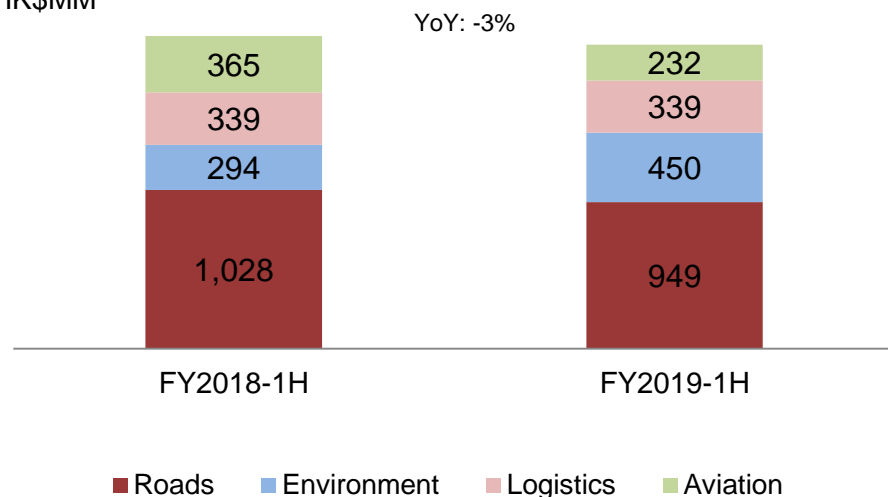
For the six months ended 31 December	2017 (HK\$MM)	2018 (HK\$MM)	YoY change%	
Roads	1,027.8	948.5	(8)	<ul style="list-style-type: none"> <li>Excluding exchange rate effect AOP up 6%</li> <li>Tate's Cairn Tunnel concession expired in July 2018</li> </ul>
Environment	293.8	449.6	53	<ul style="list-style-type: none"> <li>One-off gain from SUEZ NWS' restructuring of a JV</li> </ul>
Logistics	338.5	338.5	-	<ul style="list-style-type: none"> <li>CUIRC 26% yoy throughput growth offset by cancellation of the special settlement in Jan 2018</li> </ul>
Aviation	365.2	231.8	(37)	<ul style="list-style-type: none"> <li>Beijing Capital Int'l Airport reclassification</li> </ul>
Facilities Management	(84.4)	(146.8)	(74)	<ul style="list-style-type: none"> <li>HKCEC higher royalty and provision for committed CAPEX</li> <li>GHK ramp up period operating loss</li> </ul>
Construction & Transport	606.6	629.4	4	<ul style="list-style-type: none"> <li>Continuous improvement in gross profit of Construction and satisfactory job progress</li> <li>Offset by delay in bus fare adjustment and rising costs</li> </ul>
Strategic Investments	134.6	(19.1)	(114)	<ul style="list-style-type: none"> <li>One-off items</li> </ul>
<b>Total AOP</b>	<b>2,682.1</b>	<b>2,431.9</b>	<b>(9)</b>	



# Financial Summary

## Infrastructure AOP<sup>(1)</sup>

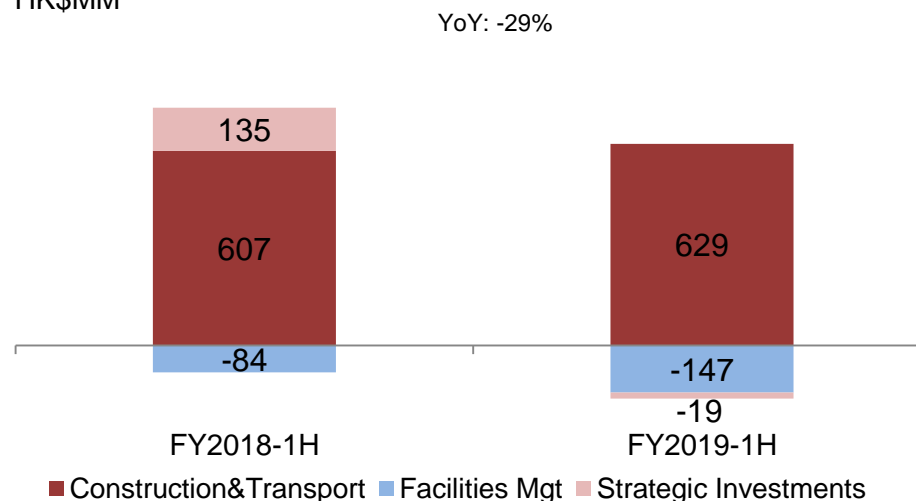
HK\$MM



Infrastructure AOP mainly affected by depreciation of RMB and reclassification of BCIA

## Services AOP<sup>(1)</sup>

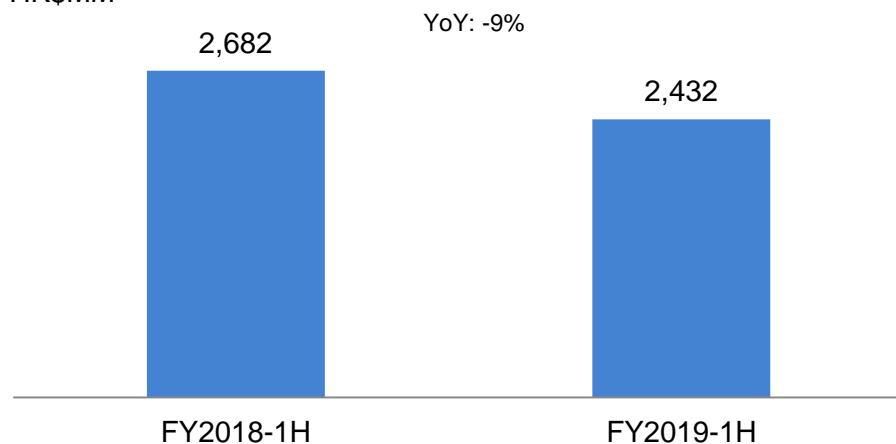
HK\$MM



Services AOP mainly affected by higher royalty and provision for committed CAPEX under the new operation agreement of the management and operation of HKCEC, delay in fare adjustment in Transport and one-off items in Strategic Investments

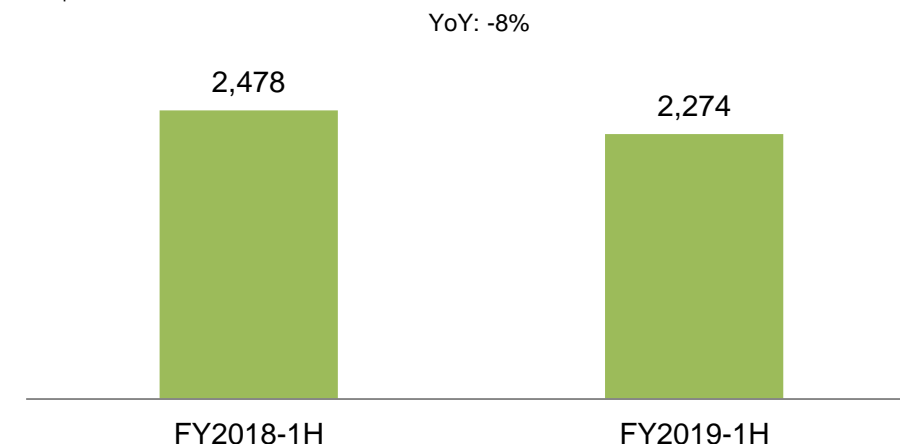
## Total AOP<sup>(1)</sup>

HK\$MM



## Profit Attributable to Shareholders of the Company

HK\$MM



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# Section 4

## *Business Segment Overview and Update*

# Infrastructure Business Overview



## Roads

Portfolio of 15 roads in PRC approx. 700km

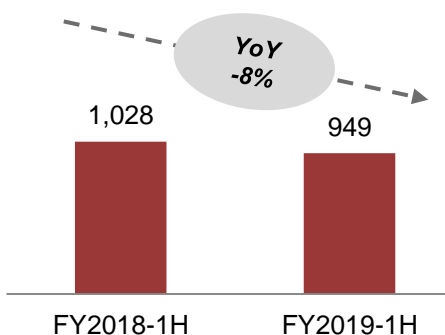


	Guangdong	Guangxi	Zhejiang	Hubei	Tianjin	Shanxi	Hunan
# of Roads	7	1	1	1	1	3	1
Length	313.9 km	13.0 km	103.4 km	98.06 km	60.67 km	76.52 km	24.08 km
Concession Expiry	2023–2035	2022	2029	2040	2039	2023–2025	2038

**Greater Bay Area strong growth in traffic flow - highest achieved 28% yoy**

## Segment AOP

HK\$MM



**Excluding exchange rate effect, AOP ↑ 6%**

## Business Updates

- 4 anchor expressways
  - Hangzhou Ring Road
  - Tangjin Expressway (Tianjin North Section)
  - Guangzhou City Northern Ring Road
  - Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)
- Completed acquisition of 40% interest in Hunan Sui-Yue Expressway (湖南隨岳高速) in Dec 2018; 24.08km with concession rights ending in 2038 and has immediate contribution to our AOP
- Recently announced signing of MOU to acquire 25.59% interest in Guangxi Guiwu Expressway (廣西貴梧高速)

**Contribute over 80% of AOP  
Highest growth rate achieved 18%  
yoy traffic flow**

# Infrastructure Business Overview (Cont'd)



## Environment

- Environment business spans 73 projects and 46 cities across the Greater China region mainly through two strategic platforms, SUEZ NWS Limited ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. ("Derun Environment")

### SUEZ NWS



#### Business updates

- Average daily waste treatment volume ↑ 6%
- Overall water and wastewater treatment volume ↑ 2%

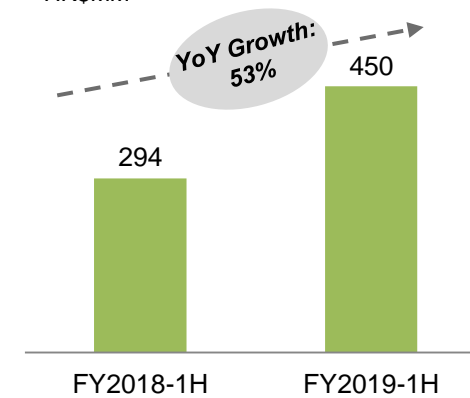
#### New projects

- Jiangsu – Expanded into waste management services with daily treatment capacity of 2,000 tonnes
- Jiangsu & Taiwan – Opening of 2 waste-to-energy plants with total annual treatment capacity of 59,200 tonnes
- Hong Kong – First food waste treatment plant commenced operations in Q42018
- Zhuhai & Macau – Secured an industrial wastewater treatment project in Zhuhai and an improvement, operation and maintenance contract for the wastewater treatment plan in Macau in Feb 2019

Nature of business	FY19-1H Total Capacity
• Water & Wastewater Treatment	9.12 MM m <sup>3</sup> / day
• Sludge Treatment	2,140 tonnes / day
• Waste collection & treatment	11,250 tonnes / day
• Industrial & municipal waste incineration	750,800 tonnes / year
• Landfill	96 MM m <sup>3</sup>

### Segment AOP

HK\$MM



With one-off FV gain

### Derun Environment



#### New projects

- Successfully expanded out of Chongqing by securing a river remediation contract in Chengdu
- Chongqing & Henan – Waste-to-energy contracts with total daily treatment capacity of 1,830 tonnes
- Chongqing – Construction of new water plant with daily treatment capacity of 400,000 m<sup>3</sup> (Commence operation in 2022)



# Infrastructure Business Overview (Cont'd)



## Logistics

### ATL Logistics Centre



ATL Logistics Centre

- Logistics centre in Hong Kong
- Largest logistics centre with ramp access in the world: Total leasable area: 5.9m sqft
- FY2019-1H average occupancy rate: **99.4%**



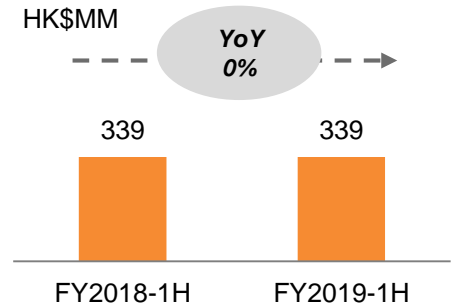
### CUIRC

- JV with China Railway Corporation
- 10 Large-scale rail container terminals in the PRC
- FY2019-1H throughput: 1.72MM TEUs
- Cancellation of special settlement policy in Jan 18 affected AOP



CUIRC (Multiple locations across PRC)

### Segment AOP

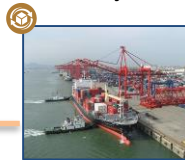


### Belt and Road Initiatives

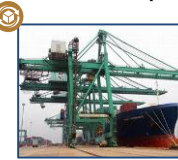
↑ 26% yoy throughput growth driven by Rail container and sea-rail intermodal transportation

### Ports

- 3 port projects in the PRC (1 in Xiamen, 2 in Tianjin)
- FY2019-1H combined throughput: 6.3MM TEUs
- Throughput growth FY2019-1H: Tianjin Five Continents up 4% and Tianjin Orient Container up 5%, Xiamen dropped 1%



Xiamen Container Terminal Group



Tianjin Orient Container Terminals



Tianjin Five Continents Int'l Container Terminal



## Logistics

Note:

1. Guangzhou terminal at construction preparation stage

# Infrastructure Business Overview (Cont'd)



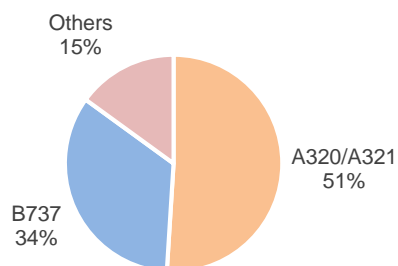
## Aviation

### Goshawk Aviation

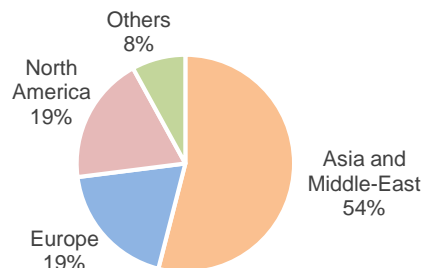
- As at 31 Dec 2018, with the acquisition of Sky Aviation, completed in Sep 2018 and including direct order:
  - Global top 10 aircraft lessor<sup>(1)</sup>
  - Total fleet increased to 216 aircraft (including owned, managed and committed aircraft)
  - US\$11.1Bn portfolio value
  - Young fleet (average 3.7 years)
  - Long remaining lease terms (average 6.9 years)

### Active Portfolio Management

#### Aircraft Type



#### Geographical Spread



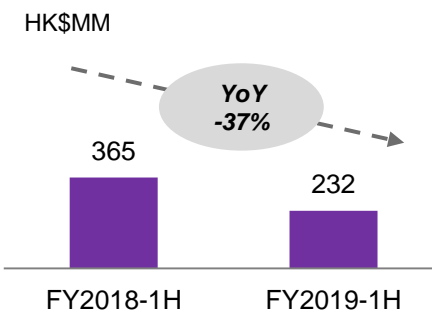
### Strategy & Business updates

- Maintain a narrow-body aircraft (85% of portfolio) and young fleet with long remaining lease terms
- Diversified lessees with 62 airlines over 33 countries

### Airbus & Boeing Direct Order

- Ordered 40 narrow-body aircraft to be delivered between 2023 - 2025
- First Hong Kong corporate to have signed a direct order from Airbus and Boeing

### Segment AOP



**AOP decreased due to BCIA reclassification as a financial asset**

# Services Business Overview



## Construction and Transport

### Construction

- Contracts on Hand: HK\$39.1Bn as at 31 Dec 2018, Backlog of HK\$22.1Bn
- Recent key residential/commercial projects:
  - SAVANNAH at Tseung Kwan O
  - Home Ownership Scheme Developments at Tin Shui Wai and Mui Wo
- Recent key HK Gov projects:
  - Xiqu Centre at West Kowloon Cultural District
  - HK Science Park Expansion Stage 1
  - West Kowloon Government Offices at Yau Ma Tei
  - New Inland Revenue Tower at Kai Tak Development Area
  - Foundation works for New Acute Hospital at Kai Tak Development Area
  - Kai Tak Sports Park



Xiqu Centre



Kai Tak Sports Park



Inland Revenue Tower (Kai Tak)



West Kowloon Govt Offices (Yau Ma Tei)



SAVANNAH (Tseung Kwan O)



Gleneagles HK Hospital

### Transport



#### New World First Ferry

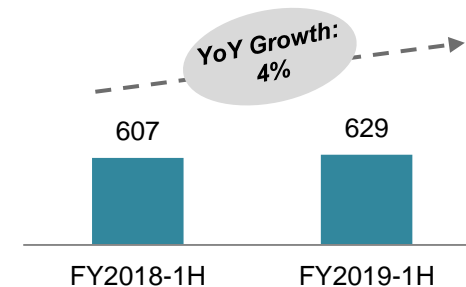
#### Citybus (F1)

#### New World First Bus

<b>Fleet Size</b>	20 vessels	1,016 buses	663 buses
<b>No. of Routes</b>	5	118	91
<b>Average Daily Patronage</b>	36,000	616,000	461,000

### Segment AOP

HK\$MM



**Construction AOP contribution jumped 38% due to improvement in gross profit and satisfactory job progress**

- Recent fare increase at weighted avg rate of 9.9%<sup>(1)</sup> for Citybus (F1) and New World First Bus
- Ramping up ridership of routes with Hong Kong-Zhuhai-Macau Bridge (HK Port)

# Services Business Overview (Cont'd)



## Facilities Management

### HKCEC



- Includes operation and management of HKCEC, Hong Kong's largest multi-functional facility
  - Gross rentable space: 91,500 sqm
  - Held 521 events in FY2019-1H
  - Approx. 5.2MM visitors in FY2019-1H
  - Won Phase II contract to 2028 through a global tender exercise

### Healthcare



- Gleneagles Hong Kong Hospital ("GHK Hospital")
  - 40% interest
  - Joint venture with Parkway Pantai
  - 500-bed private hospital
  - Continue ramping up
  - A satellite clinic will be opened in Central in Q1 2019 to provide patients better access to the hospital services
  - HK first psychiatry ward in private hospitals will be opened in Q1 2019
- Investments through associated companies, UMP Healthcare China Limited and Healthcare Assets Management Limited:
  - Operates 9 medical centres in Beijing, Shanghai and Shenzhen

### Free Duty Shops



- Retails of duty free tobacco, liquor, perfume, cosmetics, packaged food and general merchandise
- Shop locations in Hong Kong and Macau, including MTR stations at Lo Wu, Hung Hom and Lok Ma Chau, Hong Kong and Macau International Airports
- Recent commencement of operation of Hong Kong-Zhuhai-Macau Bridge outlet

### Segment AOP

HK\$MM

(84)

FY2018-1H

(147)

FY2019-1H

**AOP decreased attributed to the higher royalty and provision for committed capital expenditure under the new operation agreement of the management and operation of HKCEC and ramp up period operating loss of GHK Hospital**





# 1. OPTIMIZE

Leverage the Group's strong fundamentals and continually optimize its diverse business portfolio



# 2. BUILD

Develop and grow portfolio of businesses with long-term growth, recurring income-generating characteristics



# 3. FORTIFY

Explore new investment opportunities to strengthen our resilience, create synergies and long-term growth

# NWS Strategy in Greater Bay Area



## Roads

### 7 road projects in GBA:

- Guangzhou City Northern Ring Road
- Guangzhou City Nansha Port Expressway
- Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)
- Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)
- Guangzhou-Zhaoqing Expressway
- Guangzhou Dongxin Expressway
- Shenzhen-Huizhou Expressway (Huizhou Section)

**Total Length:** Approx. 320 km

**Total Average Daily Traffic Flow:** Over 1.1M

### GBA expressways

- Expedite infrastructural connectivity and provide support and key linkages within GBA



## Aviation

### Goshawk Aviation

- Already set up a platform in Tianjin to explore China market
- Well positioned to support and replicate platform in GBA



## Environment

**SUEZ NWS key projects located in heart of GBA:** Hong Kong, Macau, Shenzhen, Zhongshan, Zhuhai

	No. of projects
<b>Wastewater treatment</b>	8
<b>Sludge incineration</b>	1
<b>Waste incineration</b>	20

- Benefit from rapid urbanization, industrialization and economic development
- Environment protection and management is top priority in the Outline Development Plan of GBA
- Recently secured an industrial wastewater treatment project in Zhuhai and an improvement, operation and maintenance contract for the wastewater treatment plant in Macau



## Insurance

### FTLife

- Potential launch of service centres in GBA
- Excellent opportunity to extend and enhance product and service offerings from 7M to 70M population in GBA



## Facilities Management

### HKCEC

- World-class venue with excellent service in global MICE industry
- Well positioned to benefit from positioning HK as leading procurement hub of GBA

### Gleneagles Hong Kong Hospital

- High quality medical and healthcare services with 35 specialties and subspecialties
- Benefit from medical tourism and increased cross-border medical needs

### UMP China & Healthcare Assets Management Limited

- 9 medical centres in BJ, SH and SZ
- Well positioned to further expand its medical network/ centres in GBA



## Logistics

### China United International Rail Containers

- Wide railway network with 10 container terminals strategically located at transport hubs throughout China
- Well supported by Belt and Road Initiative and strengthening cooperation within GBA
- Guangzhou terminal at construction preparation stage



## Transport

### Citybus and New World First Bus

- Key bus routes from heart of HK to airport, ferry terminal and most of the key ports / border control points leading to GBA
- Increase connectivity to key infrastructural projects such as Hong Kong-Zhuhai-Macao Bridge and new border control points



## Retail

### Free Duty

- Stores strategically located at Hong Kong-Zhuhai-Macao Bridge and most cross-border terminals
- Well positioned to benefit from traffic growth



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# Q & A

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# Appendix A

## *Acquisition of FTLife*

# Transaction Overview

## Price and Considerations

- All cash agreement to acquire entire issued share capital of FTLife Insurance Company Limited (“FTLife”) from Tongchuangjiuding Investment Management Group Co., Ltd. (“Jiuding”)
- Acquisition price of HK\$21.5Bn (subject to adjustments<sup>(1)</sup>)
  - Represents P/BV (as of year-end 2017) of **1.4x**
  - Lowest P/BV compare to the M&A of insurance companies in last 6 years with precedent average of 3.5x

## Financing

- Internal resources and committed external financing from reputable international banks
- No funding support from New World Development Company Limited (“NWD”) required
- Management to continually evaluate options to manage its leverage within a reasonable level on a standalone basis

## Approvals and Closing

- The transaction has been unanimously approved by the Board of Directors of both NWS and NWD as well as the Board of Directors of Jiuding
- Transaction is subject to approvals from:
  - Hong Kong Insurance Authority and other relevant regulatory authorities
  - Shareholder approvals from both NWS and Jiuding
  - Other customary closing conditions<sup>(1)</sup>
- A Shareholder Circular, together with a notice of the Special General Meeting and a form of proxy, is expected to be dispatched to the shareholders of NWS on or before 11 April 2019

### Notes:

1. Please refer to Company Joint Announcement for details

# Compelling Strategic Transaction



## Robust Long-term Outlook for the Hong Kong Life Insurance Industry

- Favorable industry trends e.g. high savings rate, growing high net worth and aging population
- Demand from PRC and overseas visitors looking to access world-class financial products
- Potential launch of “Service Centers” for greater ease of serving clients in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”)



## High-quality, Established Platform Led by Strong Management

- FTLife is an established business with 30 years of history operating in HK
- Network of 2,500+ tied agents and partnerships with 230 brokers / IFAs
- Led by a strong management team from Tier 1 insurance companies



## Track Record of Above-industry Growth and Recurring Income

- Financial profile characterized by sustainable growth and solid recurring income
- Achieved above-industry Annual Premium Equivalent (“APE”) growth and margin expansion during 2015-2017
- Healthy solvency ratio at 515% as of year-end FY17 for sustainable future development

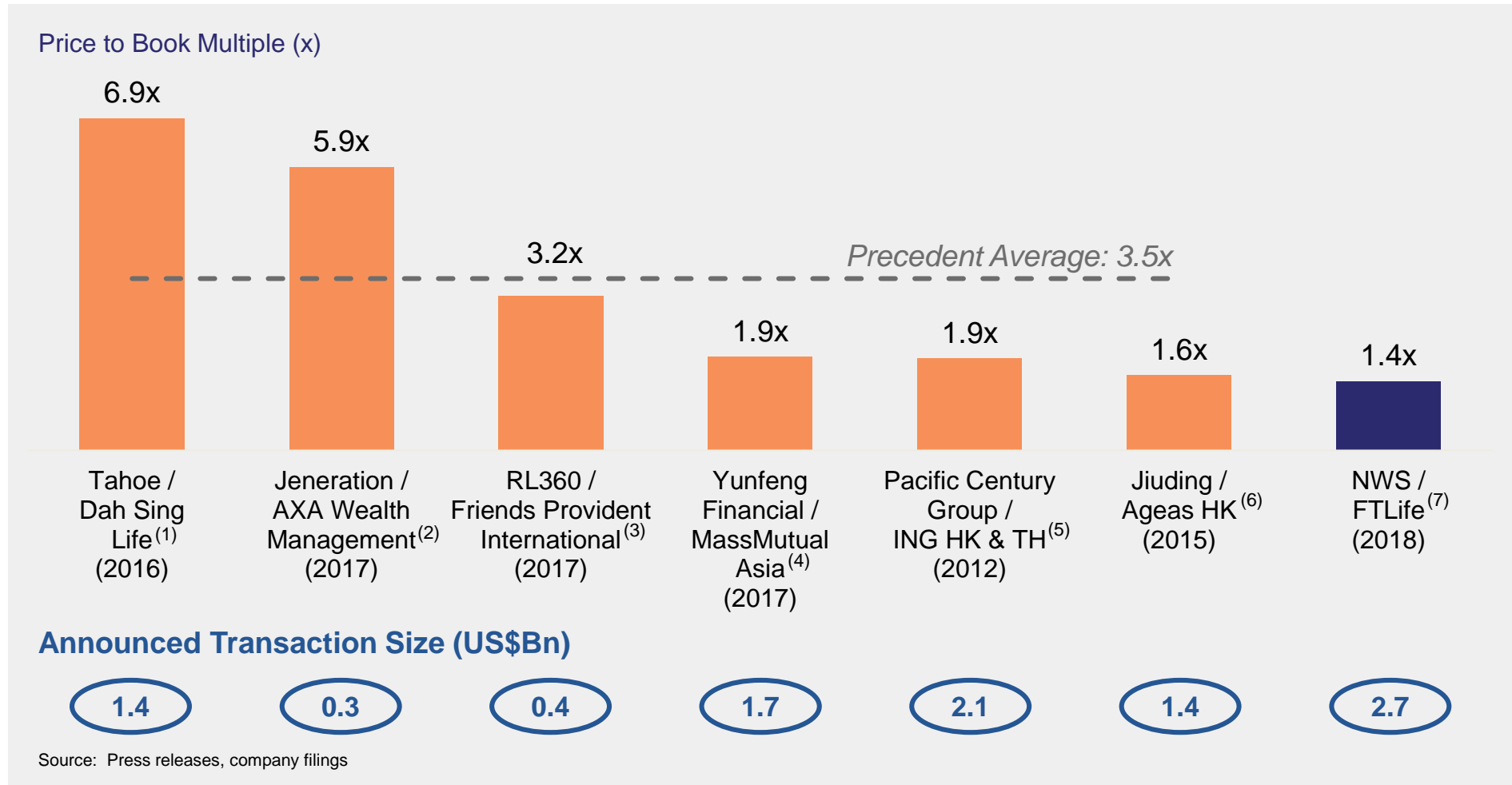


## Significant Potential to Realize Synergies Within the New World Group Ecosystem

- Cross-promotion opportunities between FTLife’s and the New World Group’s affluent customers
- Collaborate with the New World Group’s expanding healthcare and wellness portfolio
- Leverage the New World Group’s expanding footprint in the GBA to position for greater regional exposure



# Attractive Valuation Compared to Precedent Insurance Deals



## Notes:

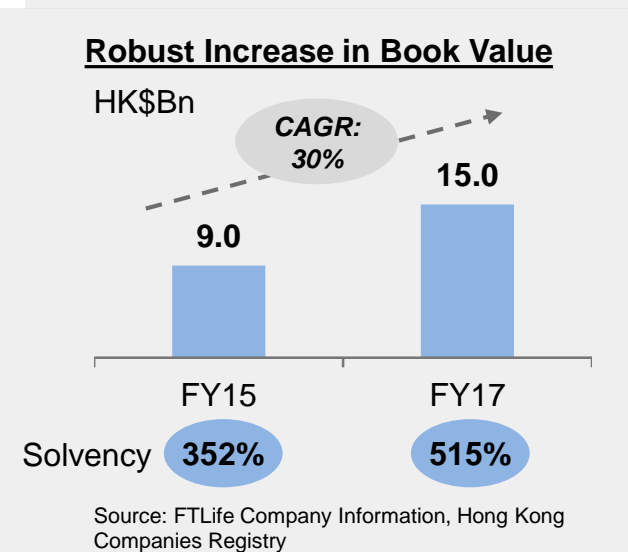
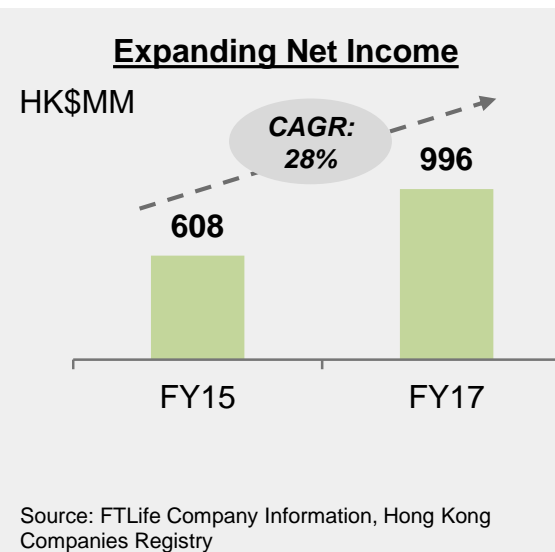
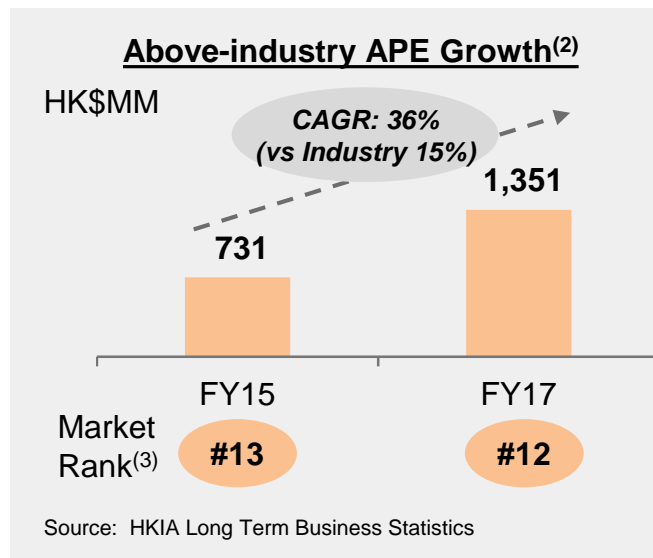
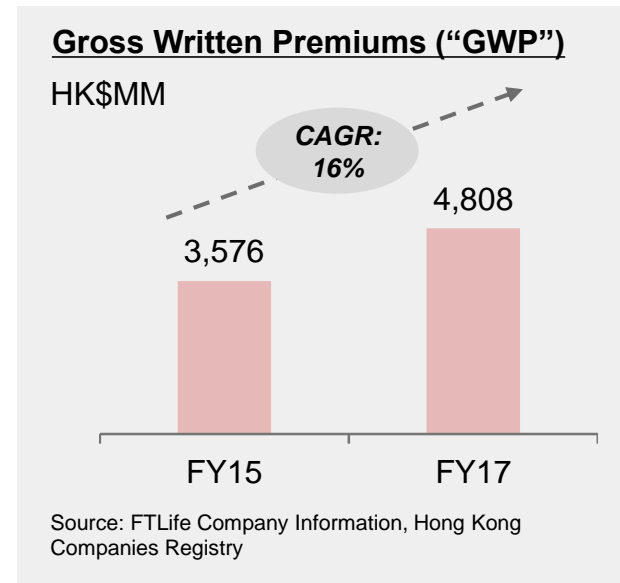
1. Based on consideration of HK\$10.6Bn and total net asset value of HK\$1,366MM for DSLA, HK\$18MM for DSIS and HK\$161MM for MLIC, per Dah Sing Financial Hldgs announcement dated 2 June 2016
2. Based on consideration of HK\$2.2Bn per AXA announcement dated 22 December 2017, and shareholders' equity of HK\$376MM as of 2016YE per AXA WM 2016 annual accounts
3. Based on consideration of GBP340MM and price to 2016 net asset value multiple of 3.2x per Aviva announcement dated 19 July 2017
4. Based on consideration of HK\$13.1Bn and target 2016YE net asset value of HK\$6,783MM per Yunfeng Financial Group Ltd announcement dated 17 August 2017
5. Based on consideration of US\$2.14Bn (EUR1.64Bn) and estimated 2012 book value of EUR865MM per ING Group press release dated 19 October 2012
6. Based on consideration of HK\$10,688MM per Ageas press release dated 30 August 2015, and shareholders' equity of HK\$6,890MM as of 2014YE per Ageas Asia Holdings Ltd 2014 annual accounts
7. Based on consideration of HK\$21.5Bn and FTLife 2017YE shareholders' equity per 2017 annual accounts

# FTLife – High Quality HK Life Insurer

## Company Overview

- Premier HK life insurer with 30+ years of history
- Comprehensive product offerings including whole life, term life, endowment, investment-linked, accident and health

<p>Network of <b>2,500+</b> tied agents <b>230</b> brokers &amp; advisers</p>	<p><b>A-</b> Fitch Insurer Financial Strength (IFS) Rating</p>
<p>Strong management team from <b>Tier 1</b> insurance companies</p>	<p><b>Baa1</b> Moody's Insurance Financial Strength Rating (IFSR)</p>



### Notes:

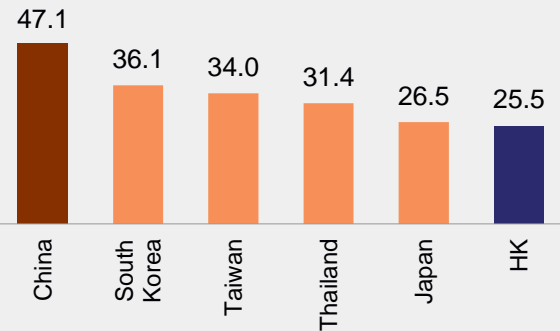
1. GWP excludes premiums from investment contracts
2. APE includes investment linked business
3. Annual APE market ranking based on the Hong Kong Insurance Authority ("HKIA") statistics



# Robust Long-term Outlook for HK Life Insurance Supported by Strong Growth Fundamentals & Structural Factors

## High Savings Rate

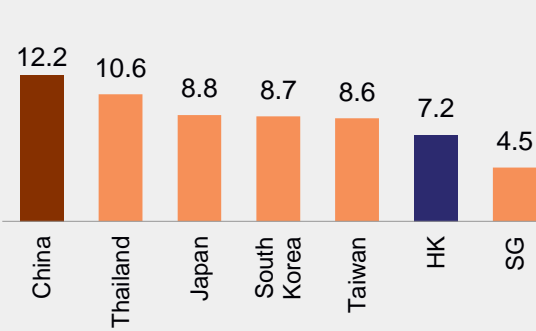
Gross Savings Rate (% Gross National Income)<sup>(1)</sup>



Source: World Bank, Taiwan Statistical Databook 2018

## Fast HNW Population Growth

2014-17 CAGR (%)

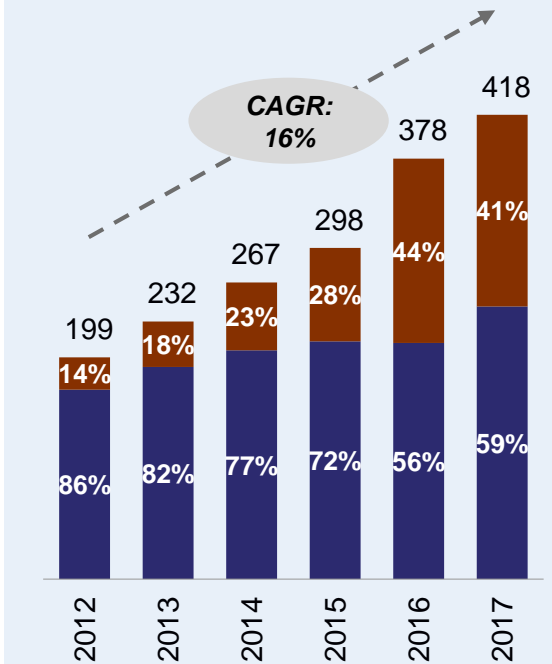


Source: CapGemini Asia Pacific Wealth Report 2018

## Robust Premium Growth

HK Life Sector Total Premiums (HK\$Bn)

■ PRC customers<sup>(3)</sup>  
■ HK and other customers

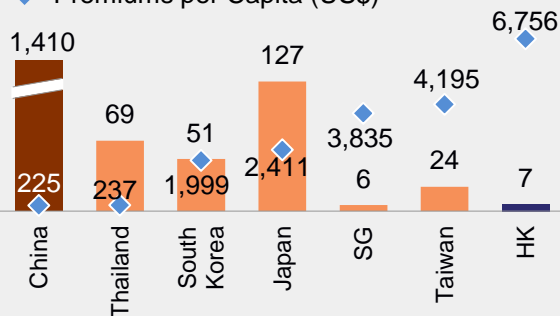


Source: HKIA Long Term Business Statistics

## Large and Underpenetrated Market in PRC

2017 Population vs. Premiums per Capita

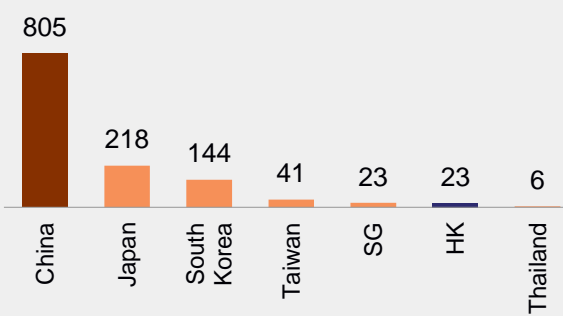
■ Population (MM)  
◆ Premiums per Capita (US\$)



Source: Swiss Re Institute Sigma Report 2017

## Significant Protection Gap for Life Insurance in PRC

2017 Health Protection Gap (US\$Bn)<sup>(2)</sup>



Source: Swiss Re Institute Survey of Asia Health Protection Gap 2018

- Notes:**
- 2017 data for China, HK, South Korea, Taiwan, 2016 data for Thailand and Japan; gross savings are calculated as gross national income less total consumption, plus net transfers
  - Estimated health protection gap based on sum of unforeseen, direct out-of-pocket healthcare expenses that cause "financial stress" to households and estimated non-treatment costs due to unaffordability per Swiss Re Institute survey
  - Premiums for PRC customers based on HKIA long term business statistics for direct individual business in respect of policies issued to mainland visitors, including new business single premiums and annualized premiums, and inforce business annualized premiums

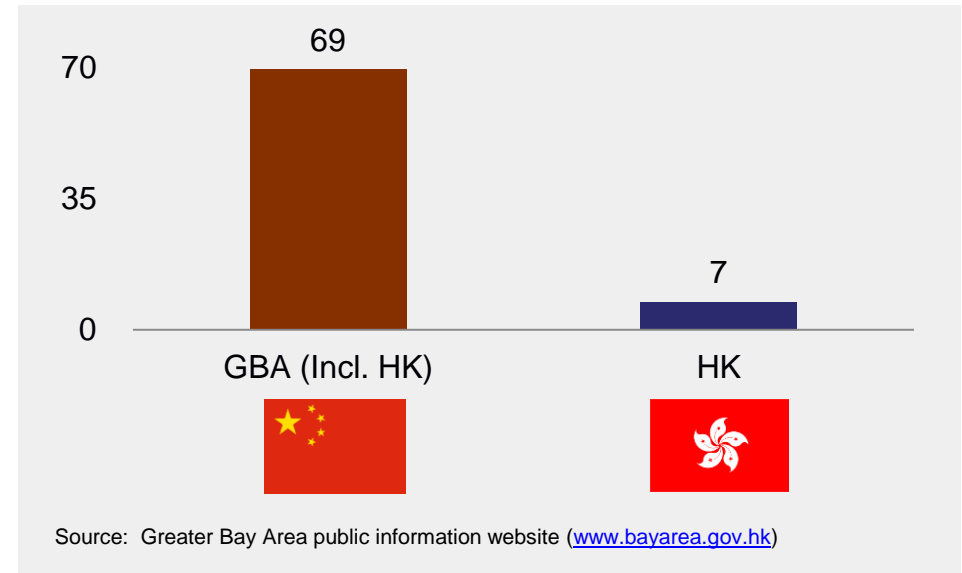
# Greater Bay Area “Insurance Connect” Growth Upside

Potential GBA<sup>(1)</sup> Insurance Connect Represents Significant Upside to HK-based Insurers



Substantial Market Demand from GBA Integration

Population of GBA and HK, 2017 (MM)



- In May 2018, the HKIA and China Banking and Insurance Regulation Commission (CBIRC) discussed the proposal to establish a special channel for the marketing, sale and processing of insurance products between HK and GBA
- The special channel is expected to allow for Hong Kong insurers to set up service centers in GBA, enabling PRC customers to settle renewal premiums and file claims for products they already purchased
  - Submit claims and receive payout funds locally
  - Update policy information and conduct physicals for policyholders
- In the long run, the special channel may be expanded to an “Insurance Connect” scheme allowing HK insurers to distribute products to PRC residents in GBA, and for HK residents to purchase products from PRC insurers in HK

Source: SCMP “China is considering an ‘insurance connect’ that would lower barriers to Hong Kong insurers, enable local offices to process claims”, published 26 June 2018

**Notes:**

1. GBA is comprised of the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province, as per the Greater Bay Area public information website ([www.bayarea.gov.hk](http://www.bayarea.gov.hk))

# Complementing NWS' Diversified Business Portfolio

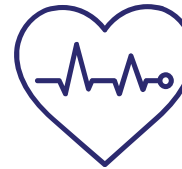


Source: 2018 Annual Report of NWS

# Compelling Synergy Opportunities within the New World Group



- **Connectivity between FTLife's and the New World Group's affluent customer base in hotels, department stores, consumer facing retail chains and education business**



- **Collaboration with the New World Group's healthcare and wellness portfolio, e.g. providing integrated healthcare offering, hospital assurance and wellness programme**



- **Leverage the New World Group's extensive and expanding footprint in the Greater Bay Area for greater regional integration, especially with the possible launch of "Insurance Connect"**



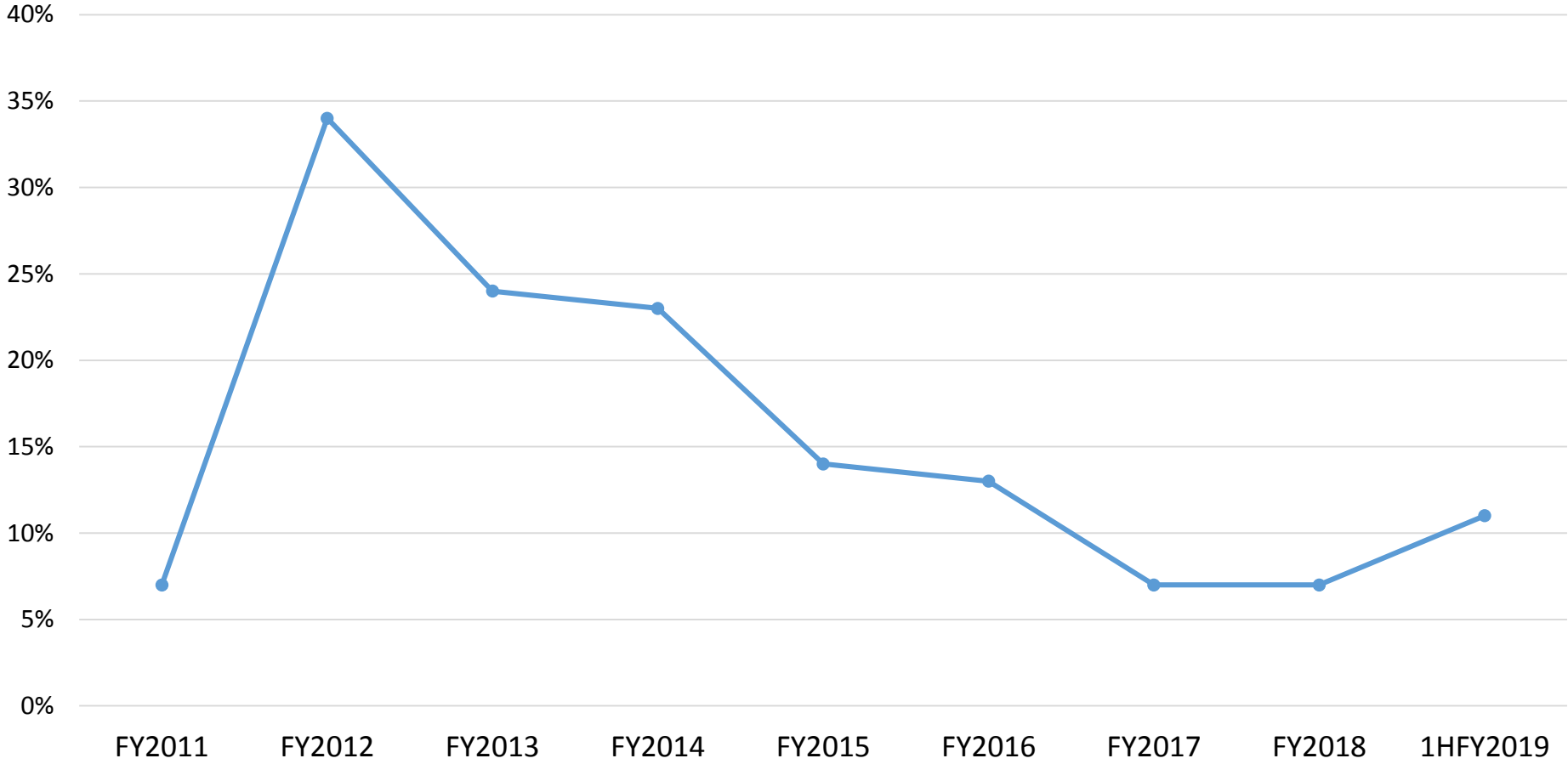
**Drive customer insights and engagement within the New World Group ecosystem**

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# Appendix B

## *Historical Net Gearing Ratio*

# Net Gearing Ratio



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