

NWS Announces FY2023 Annual Results

– Resilience amid economic recovery –

FINANCIAL HIGHLIGHTS

- The Group’s overall Attributable Operating Profit (“AOP”) recorded HK\$4,097.2 million in FY2023, decreased by 6% year-on-year
- Roads and Logistics segments were further expanded through the acquisition of several value-accretive projects
- As the Group’s portfolio optimization substantially completed, Roads, Construction (excluding the interest held in Wai Kee), Insurance, Logistics, and Facilities Management (collectively, the “Operating Businesses”) will be regarded as the focuses of the Group going forward
- A sustainable and progressive dividend policy is maintained. The proposed final dividend of HK\$0.31 per share together with the interim dividend of HK\$0.30 per share, total dividends for FY2023 will be HK\$0.61 per share
- Financial position remains healthy, with net gearing ratio further reducing to 9%. The Group’s capital structure is further optimized.

(29 September 2023, Hong Kong) NWS Holdings Limited (the “Company” and its subsidiaries, collectively, “NWS” or the “Group”; Hong Kong stock code: 659) today announced its annual results for the year ended 30 June 2023 (“FY2023”). Attributable Operating Profit recorded HK\$4,097.2 million. Various businesses of the Group showed signs of recovery in FY2023 amid challenges.

Business Optimization

The Group’s portfolio optimization substantially completed in FY2023. Its Operating Businesses continued to show its resilience amid economic recovery in the second half of FY2023.

In FY2023, NWS continued to make further progress in expanding its businesses in Roads and Logistics segments and acquired/ invested in a number of value-accretive projects, including:

Roads segment

- o Completion of the acquisition of 40% interest in Guiwu Expressway
- o Completion of the acquisition of the remaining 60% stake in Sui-Yue Expressway
- o Commencement of the expansion works of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)

Logistics segment

- o Completion of the acquisition of the sixth newly completed logistics property in Chengdu
- o Completion of the acquisition of 90% interest in a logistics property in Suzhou

Capital Optimization

The Group further redeemed US\$92.3 million in aggregate principal amount of the US\$650 million 4.25% senior notes due 2029 at a discount to par value (US\$243.6 million remained outstanding as at 30 June 2023) as well as US\$280.9 million in aggregate principal amount of the US\$1,300 million 5.75% senior perpetual capital securities at a discount to par value (US\$1,019.1 million remained outstanding as at 30 June 2023) in FY2023.

In May 2023, NWS was the first Hong Kong conglomerate to successfully register with the National Association of Financial Market Institutional Investors with a credit rating of “AAA” obtained from China Lianhe Credit Rating Co., Ltd., and issued its inaugural Renminbi (“RMB”) denominated medium-term notes (the “**Panda Bonds**”). The aggregate registered amount of the Panda Bonds is not more than RMB5 billion and the principal amount of the first tranche issuance was RMB1.5 billion with an annual interest rate of 3.9% and a 3-year tenor. The funds raised via the Panda Bonds were used to repay offshore Hong Kong dollar denominated loans to lower the Group’s financing costs, and such replacement of debt denominated in Hong Kong dollar by debt denominated in RMB can also act as a natural hedge of our RMB denominated assets.

The Group further stepped up its efforts to pursue other sustainable, social and green finance options to show our commitment to Environmental, Social and Governance (“ESG”). As at 30 June 2023, NWS had approximately HK\$6.2 billion sustainability-linked facilities.

Business Performance Highlights

Roads

In FY2023, the Roads segment encountered a challenging first half but saw a strong recovery in the second half of the financial year. AOP of the Roads segment declined merely by 10% year-on-year to HK\$1,532.8 million after a 14% rebound year-on-year in the second half of FY2023. Excluding the impact of RMB depreciation and financial incentives received, the decline in AOP for FY2023 would be 2%. Overall like-for-like traffic flow and toll revenue resumed to a growth of 3% and 4% year-on-year, respectively.

The Group’s major expressways, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), and the three expressways in Central region (namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway), altogether contributed close to 90% of the Roads segment’s AOP.

With the new acquisition of Guiwu Expressway and the extension of the concession period of Shenzhen-Huizhou Expressway (Huizhou section), the overall average remaining concession period of our road portfolio as at 30 June 2023 increased by about 5% to approximately 11 years.

Construction

Hip Hing Group's business has been challenged by the highly competitive environment driven by the reduction in project supply in the private sector and the intensified competition in the public sector. The AOP of Hip Hing Group amounted to HK\$776.4 million, declining by 7% year-on-year due to lower gross margin recognized. New contract awarded to Hip Hing Group was HK\$5.2 billion.

Key projects awarded in FY2023 included design and construction of expansion of the Legislative Council Complex, main contract works for office development at 20 Des Voeux Road Central, main contract works for composite development at 350 and 352 Nathan Road, as well as design and construction of a new public market in Tin Shui Wai.

Insurance

The reopening of the border between Hong Kong and the Mainland buoyed the decent recovery of **FTLife Insurance**. The Insurance segment registered a 12% year-on-year increase in AOP to HK\$1,204.5 million in FY2023.

Strong pent-up demand released from Mainland visitors after border reopened spurred the noticeable growth in FTLife Insurance's overall Annual Premium Equivalent ("APE"). The overall APE increased by 47% year-on-year to HK\$2,567.9 million, Mainland visitors accounted for about 30% of the overall APE. Gross written premium increased by 65% year-on-year to HK\$21,992.4 million. Value of New Business ("VONB") surged by 71% year-on-year to HK\$899.5 million in FY2023. In the first half of 2023, FTLife Insurance improved its ranking to 9th among Hong Kong life insurance companies by APE. FTLife Insurance continued to enrich its product offerings in FY2023 to cater to customer needs and was an early mover in the market to fully integrate ESG into its investment portfolio.

As at 30 June 2023, the solvency ratio of FTLife Insurance stood at 325%, well above the minimum industry regulatory requirement of 150%.

Logistics

The Group recorded a steady growth with the resilient performance of ATL Logistics Centre in Hong Kong, the rapid growth of China United International Rail Containers Co., Limited ("CUIRC") and new contributions from the newly acquired logistics properties in Chengdu and Wuhan. In FY2023, AOP of the Logistics segment increased respectively by 27% year-on-year to HK\$752.0 million.

ATL Logistics Centre contributed over 70% of the Logistics segment's AOP, and maintained its steady growth trajectory. As at 30 June 2023, occupancy rate remained at almost fully let level of 99.8% (30 June 2022: 99.8%). In the Mainland, occupancy of the five newly acquired logistics properties was 90.1% as at 30 June 2023 (30 June 2022: 86.7%).

The acquisition of the sixth newly completed logistics property in Chengdu and 90% interest in a logistics property in Suzhou were completed in January 2023 and June 2023, with occupancy rates as at 30 June 2023 being 51.2% and 100%, respectively.

The throughput of **CUIRC** increased by 17% year-on-year to 5,541,000 TEUs and AOP rose by 28% year-on-year, fuelled by the strong demand for multimodal transportation service and the increase in terminal capacity from the new Guangzhou terminal.

Facilities Management

Business performance in the Facilities Management segment has strong improvement since the reopening of the border between Hong Kong and the Mainland. Attributable Operating Loss (“AOL”) substantially narrowed by 85% year-on-year to HK\$61.9 million in FY2023.

Hong Kong Convention and Exhibition Centre registered a strong rebound in business performance in the second half of FY2023. In the second half of FY2023, number of events improved by 319% year-on-year to 356 and total patronage surged by 410% year-on-year to approximately 2.0 million, leading the number of events increased by 82% to 765 and the total patronage to grow by 74% to approximately 5.3 million for the full year of FY2023. Full year contribution turned around to AOP from AOL in FY2022.

Free Duty recorded an AOP in FY2023, with a significant turnaround after recording AOL for 5 years since the financial year ended 30 June 2018. The resumption of operation of the two outlets at Lok Ma Chau and Lo Wu upon the reopening of the two borders collectively provided a strong boost to the performance of Free Duty in the second half of FY2023. The outlet at Hong Kong-Zhuhai-Macao Bridge recorded remarkable performance with an AOP growth of more than six folds year-on-year.

Gleneagles Hospital Hong Kong (“GHK Hospital”) maintained a strong revenue growth trajectory fuelled by the growth of number of inpatients by 19%, outpatients by 7% and day cases by 3% year-on-year. The EBITDA of GHK Hospital registered a stellar growth of 759% year-on year for the full year.

Outlook

The Group maintains its positive view of the Mainland's economy, expecting sustainable long-term growth despite uneven recovery in the short-term. Recognizing this potential, the Group will continue to seize investment opportunities, particularly in the Roads and Logistics segments and their related businesses.

Reopening the border between Hong Kong and the Mainland is expected to benefit the Group's businesses. Specifically, the Group anticipates a strong boost in its Insurance, Hong Kong Convention & Exhibition Centre, and Free Duty businesses.

Furthermore, the Group is dedicated to integrating ESG initiatives into its corporate strategy. By prioritizing sustainability, the Group aims to achieve long-term growth while aligning its operations with responsible practices.

Mr. Eric Ma, Chief Executive Officer of NWS, said, “Through the Group’s healthy fundamental and sustainable business model, the Group will continue to create synergies by bringing people, goods, and capital together, fostering “one plus one is greater than two” approach, and bring the greatest value to all stakeholders and the community at large.”

AOP Contribution by Segment

For the year ended 30 June

	2023 HK\$'m	2022 HK\$'m	Fav. / (Unfav.) % Change
Roads	1,532.8	1,709.9	(10)
Construction	745.5	912.2	(18)
Insurance	1,204.5	1,074.9	12
Logistics	752.0	592.6	27
Facilities Management	(61.9)	(409.5)	85
Strategic Investments	(75.7)	(141.7)	47
Disposed/discontinued businesses			
Aviation [#]	-	511.5	(100)
Environment	-	121.0	(100)
Total	4,097.2	4,370.9	(6)

Included 11 months of contribution in FY2022 as the aircraft leasing business was reclassified as held for sale by Goshawk Aviation Limited since the end of May 2022.

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NWS Holdings Limited

NWS Holdings Limited (Hong Kong Stock Code: 659), as the diversified industries flagship of New World Development Company Limited (Hong Kong Stock Code: 17), invests and operates a wide range of businesses predominantly in Hong Kong and the Mainland. Our operating businesses includes toll roads, construction, insurance, logistics and facilities management.

Media enquiries:

NWS Holdings Limited

Tel: 2131 8394

Email: corpcomm@nws.com.hk