



# NWS' Acquisition of FTLife

Compelling Entry into the  
Attractive Hong Kong Life Insurance Sector

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新創建 NWS

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# 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**
  - Compared to P/BV (as of year-end 2014) of **1.6x** when acquired by Jiuding in 2015

## 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 “Insurance Connect” 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

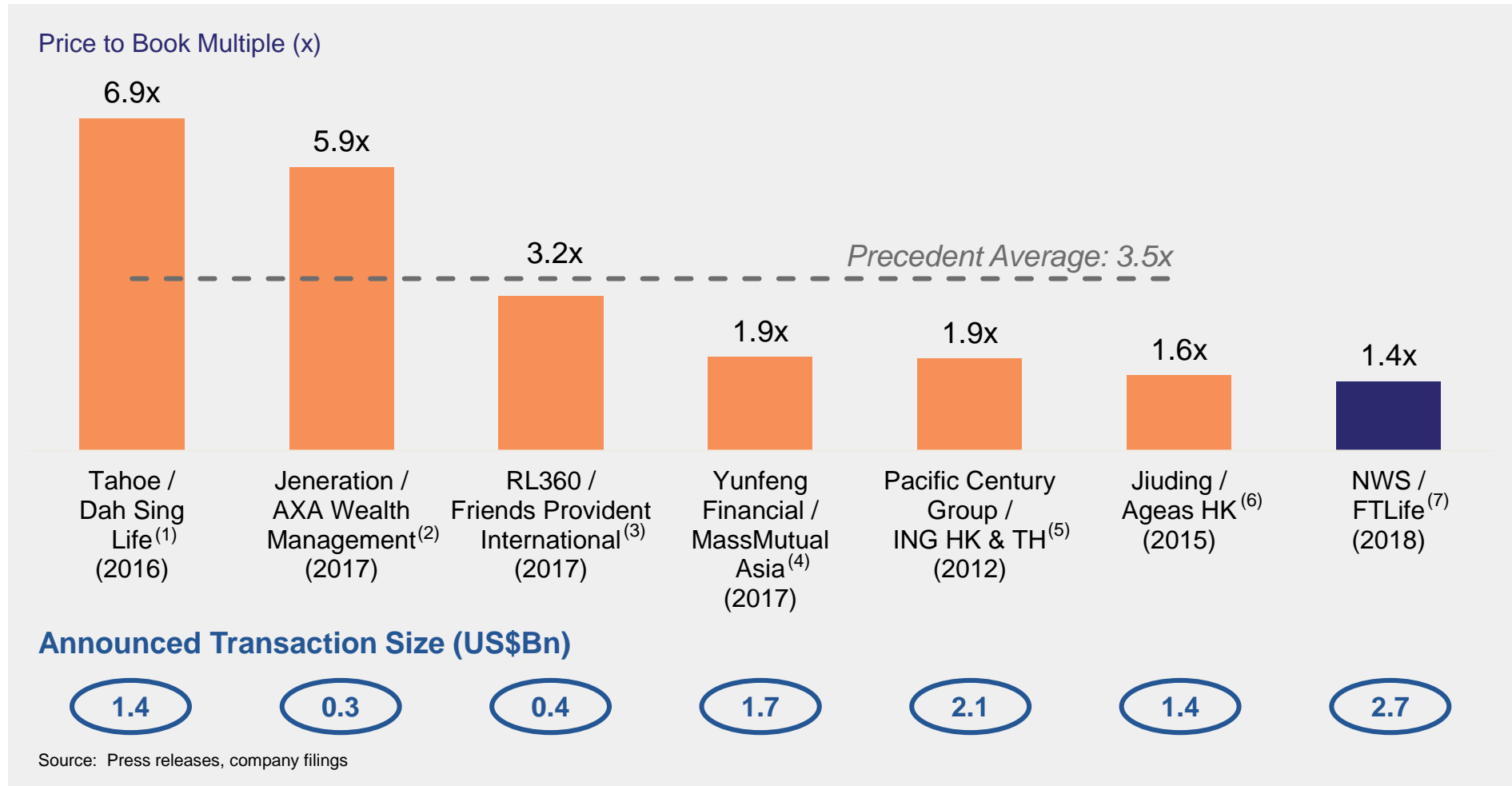


## Significant Potential to Realize Synergies Within the New World Group Ecosystem

- 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:

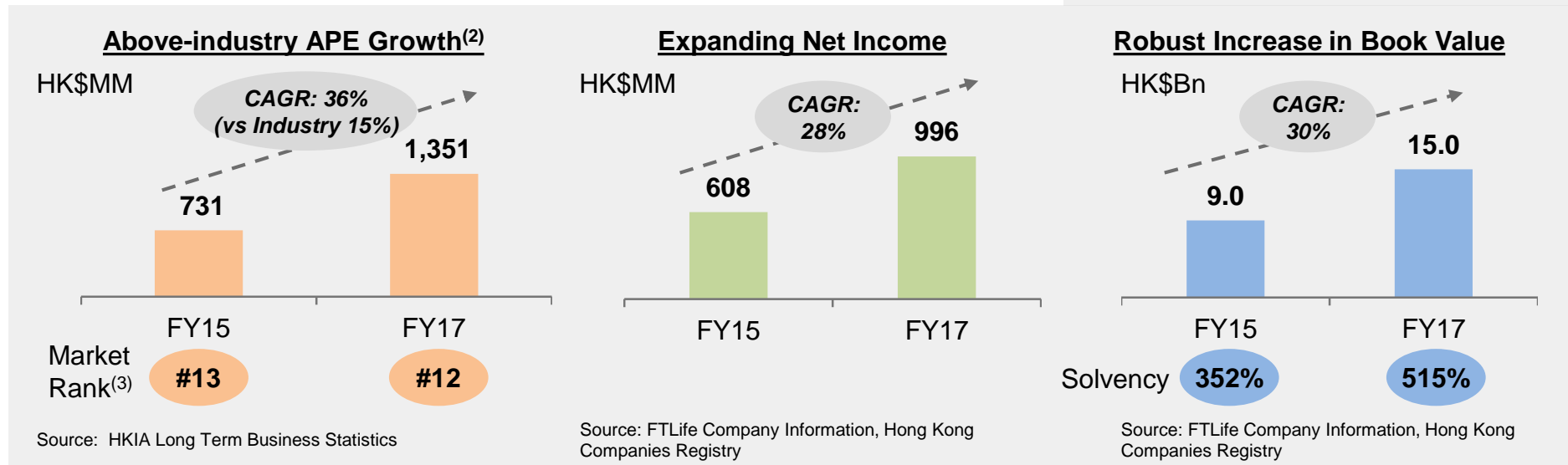
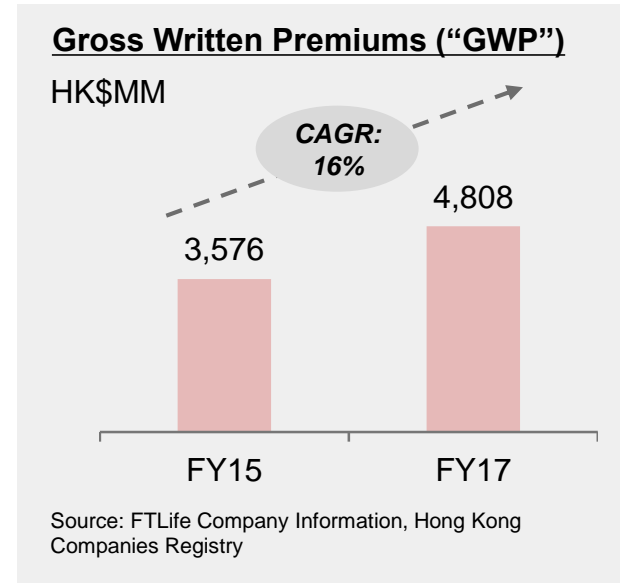
1. Based on consideration of HK\$10.6Bn and total net asset value of HK\$1,366MM for DSLA, HK\$18MM for DSIS and HK\$161MM for MLIC, per Dah Sing Financial Hldgs announcement dated 2 June 2016
2. Based on consideration of HK\$2.2Bn per AXA announcement dated 22 December 2017, and shareholders' equity 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>



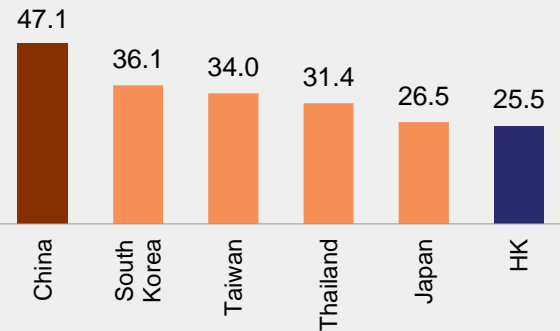
**Notes:**

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

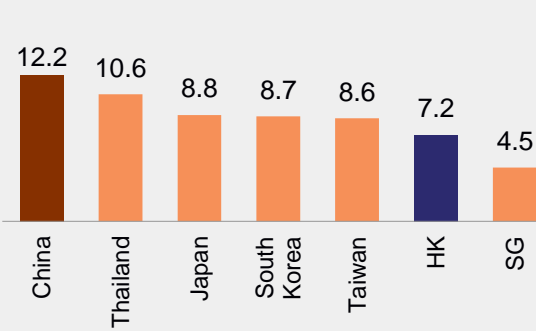
Gross Savings Rate (% Gross National Income)<sup>(1)</sup>



Source: World Bank, Taiwan Statistical Databook 2018

## Fast HNW Population Growth

2014-17 CAGR (%)

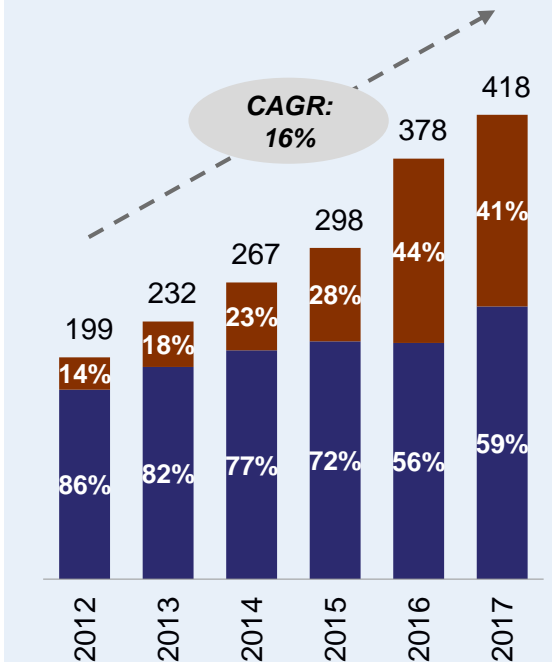


Source: CapGemini Asia Pacific Wealth Report 2018

## Robust Premium Growth

HK Life Sector Total Premiums (HK\$Bn)

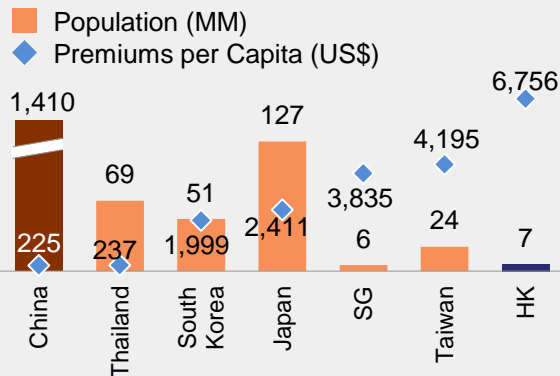
■ PRC customers<sup>(3)</sup>  
■ HK and other customers



Source: HKIA Long Term Business Statistics

## Large and Underpenetrated Market in PRC

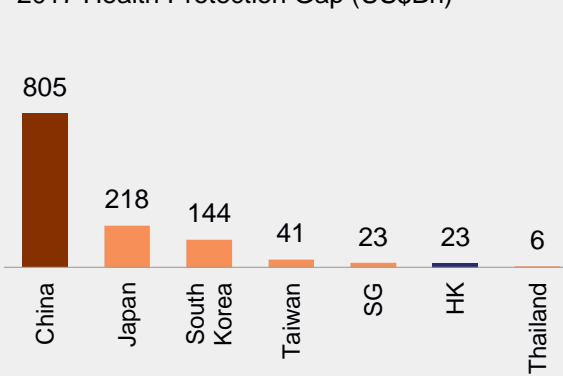
2017 Population vs. Premiums per Capita



Source: Swiss Re Institute Sigma Report 2017

## Significant Protection Gap for Life Insurance in PRC

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

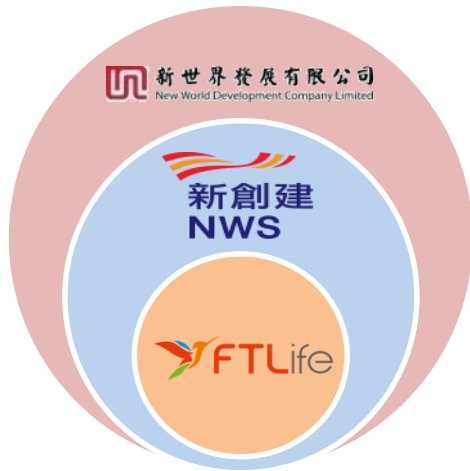


Source: Swiss Re Institute Survey of Asia Health Protection Gap 2018

### Notes:

1. 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
2. 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
3. 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

# 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**



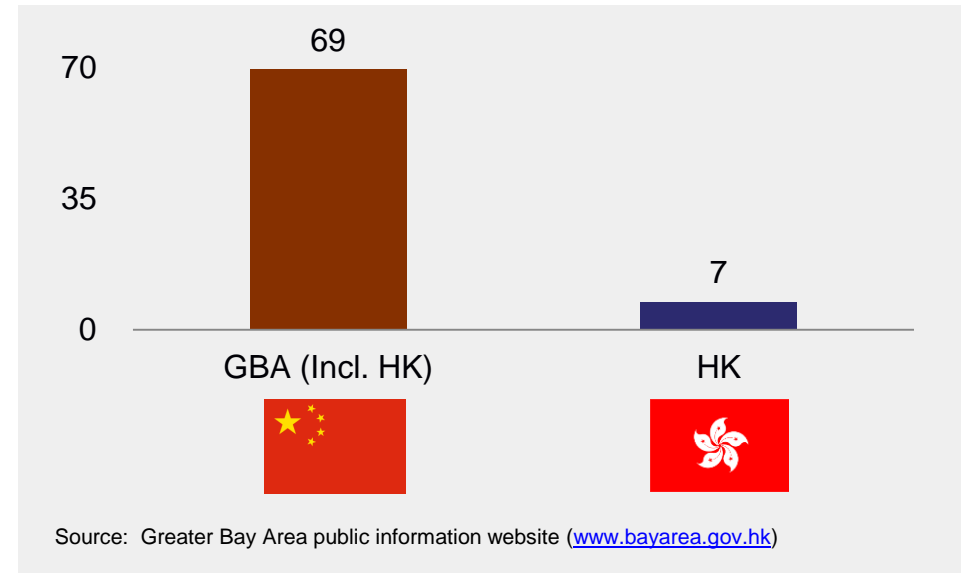
# Greater Bay Area “Insurance Connect” Growth Upside

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

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