



新創建 NWS

FY2021 Interim Results

Analyst Presentation

26 February 2021

New World Group Member

Table of Contents

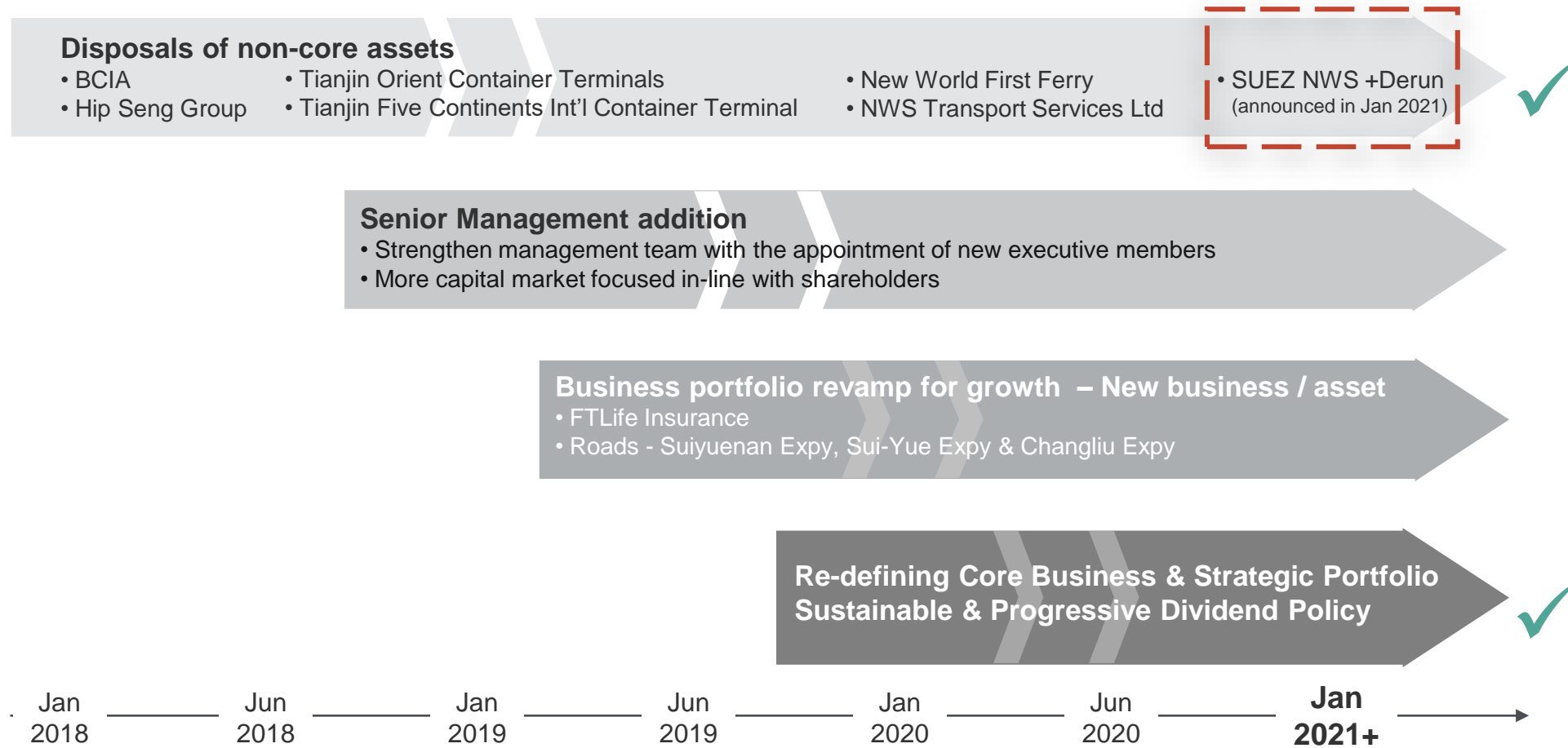
NWS Transformation 2018-2021 & Financial Summary **Section 1**

Core Business & Strategic Portfolio Highlights **Section 2**

Environment, Social & Governance **Section 3**

Appendices

Drive value for shareholders via acquisition, non-core disposals and sustainable & progressive dividend



Rejuvenated & agile management to create & unlock value for shareholders

Business portfolio revamp

Stronger & improved business fundamentals

2018

Infrastructure



Roads



Aviation



Environment



Logistics

Services



Construction



Transport



Facilities Management

2021

Core Business



Roads



Aviation



Construction



Insurance

Strategic Portfolio



Logistics



Facilities Management

NWS Transformation 2018 - 2021

- Prior to 2018, NWS business strategy is conservative and capital deployment focus is unclear
- Portfolio optimization sets a clear focus for our stakeholders

Key changes in the past 3 years

- Sustainable & Progressive dividend policy
 - 2018 50% payout v 2021 progressive DPS
- Maintained a healthy balance sheet with a manageable gearing
 - Gearing: 2021-1H 26%
- Disposed business with limited growth at premium valuation
 - NWST, NWFF – FY2019PE: c. 359x / 15x
 - SUEZ NWS & Derun – FY2020PE: c. 18x / 16x
- Acquire business with growth prospect & strong recurring cash flow
 - FTLife Insurance
 - Roads - Suiyuenan Expy, Sui-Yue Expy & Changliu Expy

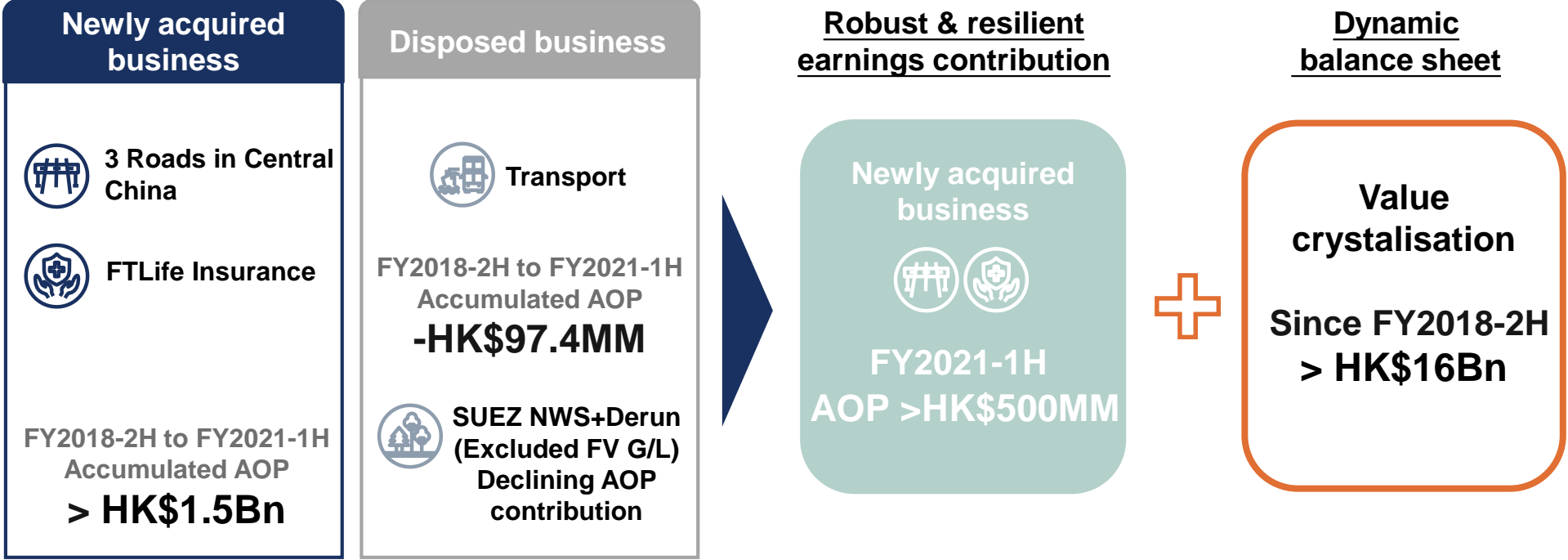
Delivered HK\$1.91 / share of dividend to shareholders since CY2018

Recuperate over HK\$16Bn

Cumulative AOP contribution over HK\$1.5Bn

Portfolio optimization further strengthened NWS fundamentals

NWS
Transformation
2018 – 2021



2018

2019

2020

2021+

Future growth plan focusing on Roads, Modern Logistics, Insurance

NWS
Transformation
in the next
3 years

Core Business



Roads



Aviation



Construction



Insurance

Strategic Portfolio



Logistics



Facilities
Management

Growth strategy

Roads



Partnership with SOE & major PRC investor
China in regional clusters

Modern Logistics



Warehouse / Cold chain / Technology & VAS
China (with GBA focus) & SEA

Insurance



Insurance related
China (with GBA focus)

Disposals



Non-core disposals
Continue monitor opportunities to unlock value for growth capital

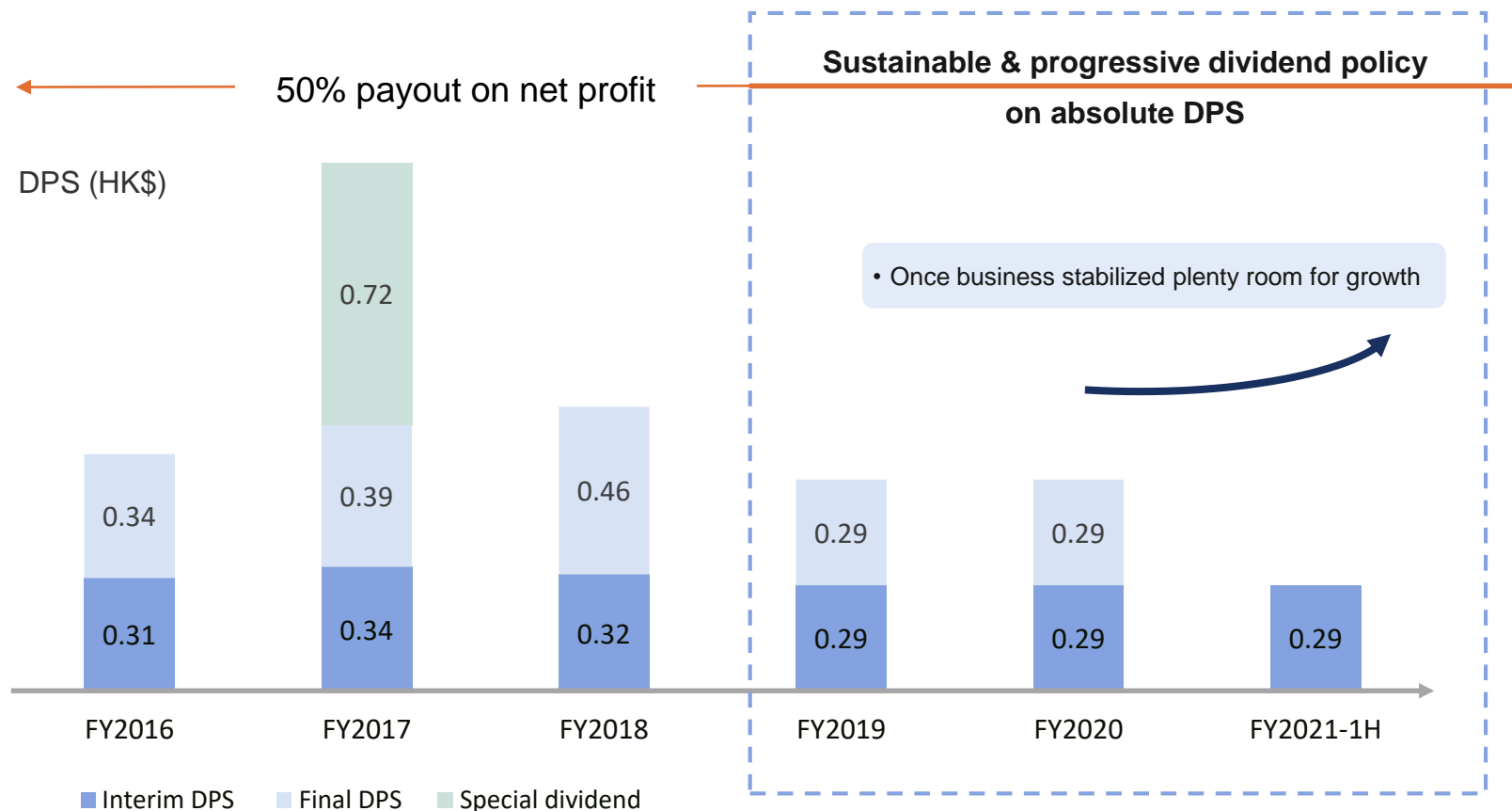
Key investment selection criteria

- Strong growth prospect / attractive risk adjusted returns
- Solid recurring cash flow / income
- Target at least high single digit returns on capital deployed

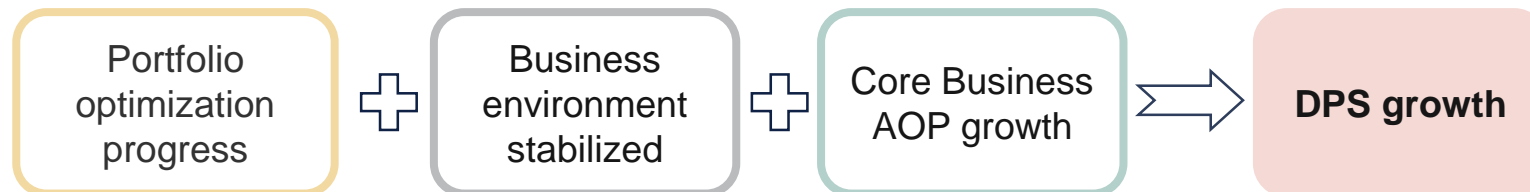
Dividend Policy

Sustainable & progressive dividend policy supported by strong balance sheet

Over 17 consecutive years of dividend & counting



Dividend policy consideration



Prudent financial policy underpinning for growth & external shocks

Financial Policy

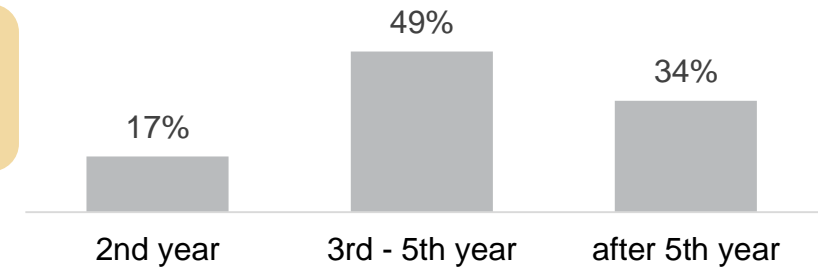
Well-managed maturity profile allowing financial flexibility for operations, potential investments & growth plans

Ample cash on hand
HK\$11.0Bn



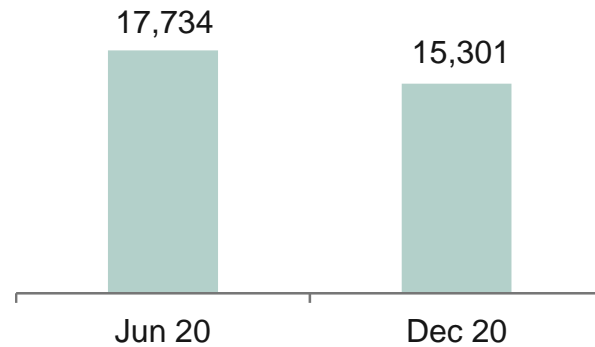
Unutilized committed banking facilities
c.HK\$18.2Bn

Debt maturity profile⁽¹⁾ (as of 31 Dec 2020)

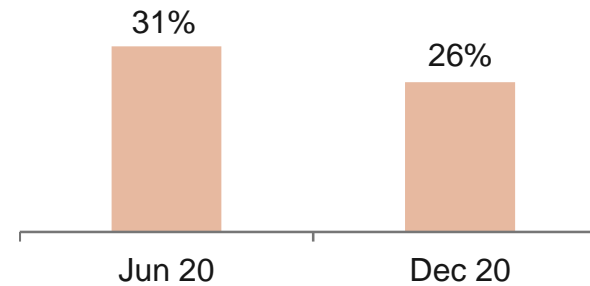


Current leverage as of 31 Dec 2020

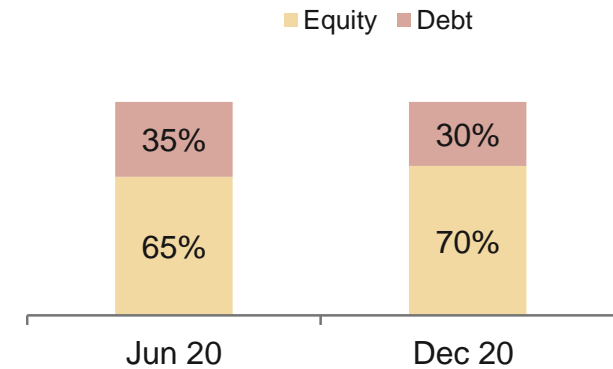
Net debt⁽²⁾
HK\$MM



Net gearing ratio⁽³⁾
(%)



Capital structure - Debt & Equity

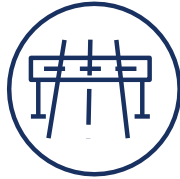


Note:

1. Non-current portion
2. Net debt defined as total debt less cash & bank balances & short-term deposits
3. Net gearing ratio defined as net debt divided by total equity

Business at a Glance

Core Business



ROADS

- 15 toll roads in the PRC (total length of c.740 km)



AVIATION

- Goshawk Aviation Limited provides commercial aircraft leasing & management services



CONSTRUCTION

- Hip Hing Group provides professional construction services in HK
- Investment in Wai Kee



INSURANCE

- FTLife Insurance Company Ltd

Strategic Portfolio



LOGISTICS

- ATL Logistics Centre in HK
- Pivotal rail container terminal network across the PRC through China United Int'l Rail Containers ("CUIRC")
- Port in Xiamen



FACILITIES MANAGEMENT

- Operation & management of HK Convention & Exhibition Centre
- Gleneagles Hospital HK
- Free Duty shops in HK



ENVIRONMENT

- 126 projects in 51 cities across Greater China mainly through SUEZ NWS & Derun Environment
- ForVEI II S.r.l. & remaining environment projects are reclassified into strategic investments

Discontinued operations

Strong rebound with potentials yet to be fully reflected

NWS Post COVID-19 Recovery

- NWS is well positioned for a strong rebound once PRC border reopens and COVID-19 impact fades further

Strong AOP contribution with robust rebound



Roads
 ✓ Strong traffic recovery and AOP growth since toll fee resumption

Short term catalyst (PRC border reopens)

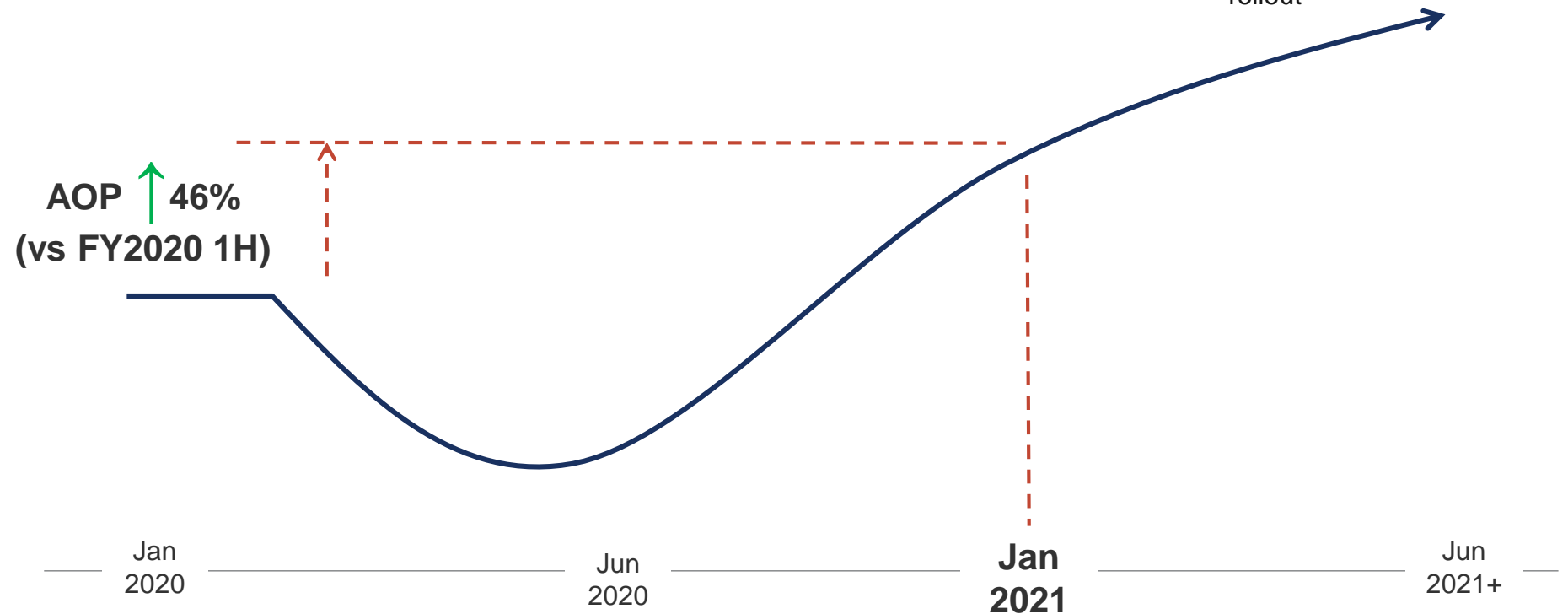


Insurance
 ✓ Well positioned for a strong rebound upon PRC border reopening

Mid - Long term growth (COVID-19 impact fades further)



Aircraft Leasing
 ✓ Airline operator stabilize with various support from Govt & financial market
 ✓ Travel to resume with air travel bubbles & global vaccine rollout



Financial highlights

For the six months ended 31 Dec	2019 (HK\$MM)	2020 (HK\$MM)	YoY change %	
Revenue⁽¹⁾	11,283.6	14,232.5	26	Revenue - full period contribution of FTLife
Attributable Operating Profit (AOP)⁽²⁾	2,289.9	3,336.3	46	<ul style="list-style-type: none"> Rapid recovery with 13% yoy growth Roads & full period contribution of FTLife
<i>Core Business</i>	<i>2,048.1</i>	<i>2,322.2</i>	13	<ul style="list-style-type: none"> Strong AOP recovery Upward revaluation with market recovery
<i>Strategic Portfolio</i>	<i>241.8</i>	<i>1,014.1</i>	319	
Non-operating gains/(losses)⁽³⁾	(152.9)	(1,969.4)		<p>Non-operating losses mainly include:-</p> <ul style="list-style-type: none"> (i) reclassification of an investment to an asset held-for-sale and the resultant remeasurement loss HK\$1,330M (ii) share of assets impairment, provision for expected credit loss and aircraft repossession/recovery costs for Goshawk HK\$415.9M (iii) remeasurement loss associated with the disposal of SUEZ NWS and Derun Environment HK\$127.7M
Profit for the period⁽⁴⁾	1,804.2	903.3	(50)	
Profit attributable to				
Shareholders of the Company	1,513.8	611.8	(60)	
Holders of perpetual capital securities	290.4	291.5		
Basic Earnings per share (HK\$)	0.39	0.16	(59)	
Dividend per share (HK\$) - Interim	0.29	0.29		
Adjusted EBITDA⁽⁵⁾	3,150.6	3,038.8		

Notes:

- 1.Excluding revenue from discontinued operations
- 2.Attributable operating profit ("AOP") is defined as profit available for appropriation before corporate office & non-operating items
- 3.Including loss on fair value of investment properties HK\$14M, remeasurement, impairments and provisions HK\$1.9Bn & net loss on disposal of projects (net of tax) HK\$51M
- 4.Profit for the period after tax after non-controlling interest
- 5.Adjusted EBITDA is calculated as gross profit minus general & administrative expenses, & selling & marketing expenses plus depreciation/amortization, dividends received from associated companies & joint ventures & interest income from financial assets at fair value through other comprehensive income

Performance by segment

For the six months ended 31 Dec		2019 (HK\$MM)	2020 (HK\$MM)	YoY change %	
Core Business	Roads	949.6	1,061.0	12	Rapid traffic recovery after resumption of toll fee collection. Excluding RMB appreciation, AOP +8%.
	Aviation	267.9	271.7	1	
	Construction	670.2	527.1	(21)	Less gross profit recognition in FY2021-1H
	Insurance	160.4	462.4	188	Full period contribution from FTLife
	<i>Subtotal</i>	<i>2,048.1</i>	<i>2,322.2</i>	<i>13</i>	
Strategic Portfolio	<i>Continuing Operations</i>				<ul style="list-style-type: none"> GHK AOL narrowed AOL from HKCEC Free Duty business still affected by COVID-19
	Logistics	339.1	336.3	(1)	
	Facilities Management	(364.4)	(323.3)	11	
	Strategic Investments	49.0	751.9	1,434	<ul style="list-style-type: none"> Strong AOP recovery from our investees Upward revaluation with market recovery
	<i>Discontinued Operations</i>				
	Environment	247.2	244.3	(1)	
	Transport	(29.1)	4.9	117	
<i>Subtotal</i>	<i>241.8</i>	<i>1,014.1</i>	<i>319</i>		
Grand Total		2,289.9	3,336.3	46	

Core Business

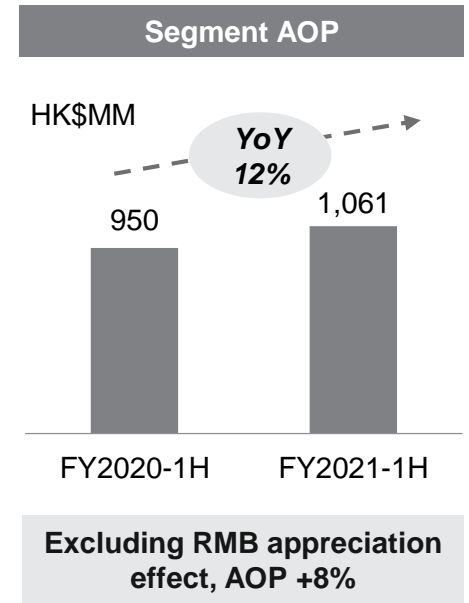




Traffic recovered strongly after resumption of toll fee collection in May 2020

Swift recovery with positive outlook

- ▶ Overall portfolio traffic volume +9% yoy
 - 4 anchor expressways (c. 80% of Roads AOP) traffic volume +4% yoy
- ▶ Overall portfolio toll income +8% yoy
- ▶ Compensation measures for toll fee exemption in further discussion with the PRC Govt



Outlook

- Continue to look for new investment opportunities, including distressed opportunities and opportunities with good growth prospect in areas such as Central China and GBA
- Partnering with major PRC investors such as insurance companies and SOEs

Notes:

1. 4 anchor expys: Hangzhou Ring Road (100%), Tangjin Expy (TJ North Section) (60%), Guangzhou City Northern Ring Road (65.29%), Beijing-Zhuhai Expy (GZ-ZH Section) (25%)

Aviation



Goshawk
Aircraft leasing & management

Strong financial footing & relatively lower risk profile to navigate through the storm

- ▶ US\$1.5Bn cash and undrawn banking facilities
- ▶ Young & liquid aircraft portfolio with diversified customer base

Showing signs of stabilization

- ▶ Industry stabilizing attributable to gradual resumption of domestic flights, creation of air travel bubbles and various support from Govt & financial market
- ▶ No. of requests for new lease rental deferrals has been decreasing & a number of rental deferrals were fully repaid
- ▶ Average collection rate from airline customers: stabled at 76% (sequentially improved from 68% in 2Q 2020 to 82% in 4Q 2020)
- ▶ Owned aircraft utilization rate in FY2021-1H: 99%

Aircraft leasing portfolio

Fleet size ⁽¹⁾	224 aircraft (incl. 40 direct orders)
Combined appraised value	c. US\$10.1Bn
Narrowbody aircraft	c. 79%
Diversified customer base ⁽²⁾	61 airlines over 34 countries
Age ⁽²⁾	Avg 5.0 years
Long remaining lease terms ⁽²⁾	Avg 5.9 years

Outlook

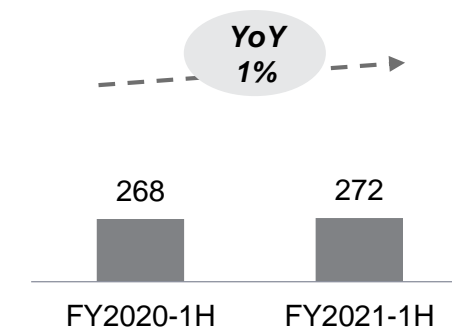
- Vaccination campaigns around the globe are set to enhance confidence in international travel
- Remain cautious and prepare for the recovery

Note:

- (1) Incl. owned, managed & committed
- (2) Based on 162 aircraft on book as at 31 Dec 2020

Segment AOP

HK\$MM



Stable AOP despite upheaval in the industry triggered by COVID-19

Impairments, expected credit loss and aircraft repossession/recovery costs c.HK\$415.9MM

Construction



- ▶ Hip Hing Group
- ▶ Inv in Wai Kee (c. 23%)

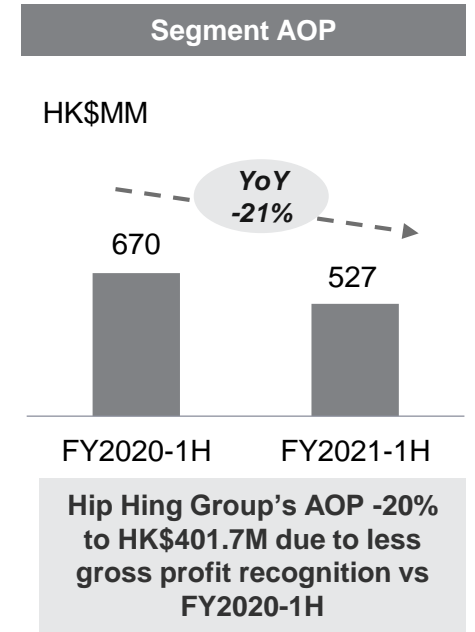
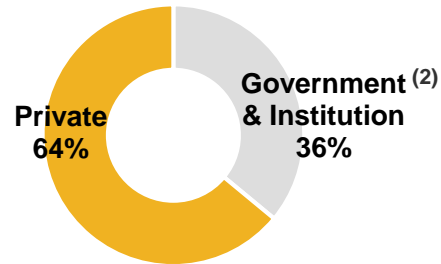
Near term pipeline interruption affected contracts on hand & backlog

- ▶ Contracts on hand HK\$45Bn -15% yoy
- ▶ Backlog HK\$30Bn -22% yoy

Reputable contractor poised for long term growth

- ▶ New contract awarded during FY2021-1H: HK\$1Bn⁽¹⁾
- ▶ Some delay in tenders coming to the market due to COVID-19
- ▶ Maintained a balanced source of projects

Types of projects (as at 31 Dec 2020)



Outlook

- Remain positive over the mid to long term supported by strong demand from both the govt & the private sectors and Hip Hing's first-rate track record and technical expertise
- Adoption of new construction technology helps mitigate some margin pressure

Notes:

1. Incl. design & construction of temporary quarantine facilities at Penny's Bay, Lantau Island & foundation works for Public Housing Development at Sheung Shui etc.
2. Incl. Kai Tak Sports Park



Well positioned for strong rebound with border opening

▶ Market Rank #13 by APE as at 30 Sep 2020

Consistent performance with potential yet to be fully realized



▶ Solid execution capability, agile business strategy & deliberate shift of focus by management drives outperformance of HK business vs industry as reflected in Q3 2020 APE

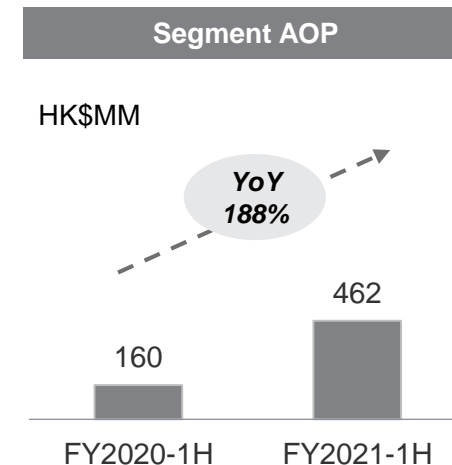
Q3 2020	FTLife	Industry
APE	-11%	-29%
APE (HK business)	+52%	+6%

▶ Launch of innovative product portfolio⁽¹⁾ spurred APE of HK business by 49% in FY2021-1H

FY2021-1H Key figures

HK\$236MM VONB ⁽⁴⁾ 25% VONB Margin	HK\$75.6Bn^(2,5) Total Asset Value HK\$19.7Bn^(2,5) Net Asset Value	HK\$4,935MM Gross Written Premium	A- Fitch Ratings A3 Moody's
HK\$932MM (-13% yoy) APE ⁽³⁾	553%⁽²⁾ Solvency Ratio (mini. requirement 150%)	HK\$20Bn⁽²⁾ (+16% yoy) Embedded Value	3,000+ Tied Agents 270+ Brokers

Fitch affirmed Insurance Financial Strength rating at **A-** with stable outlook



Full period contribution in FY2021-1H vs. 2-month contribution in FY2020-1H

Outlook

- Raising awareness on healthcare & insurance protection present further growth opportunities
- Continue to strengthen agency force and distribution channel, create more innovative products, develop insurtech and collaborate with NW Group to add growth impetus

Notes:

1. "Be With You" Personal Accident Plan, "On Your Mind" Insurance Plan with Reverse Mortgage Function and "HealthCare 168 Plus" Critical Illness Protector
2. As at 31 Dec 2020
3. Annual Premium Equivalent (APE)
4. Value of New Business (VONB)
5. Excl. goodwill arising from business combination

Strategic Portfolio





Unique asset with resilient business

- ▶ **ATL**
 - Avg. occupancy rate: 99.8%
 - Avg. rental: +1%

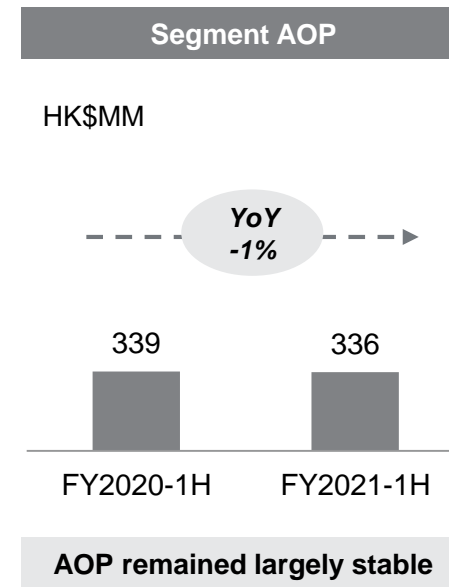
- ▶ **CUIRC**
 - Throughput 2.5MM TEUs +30% yoy

Solid performance

- ▶ **ATL Logistics Centre (ATL) (Contributed c.70% of Logistics AOP)**
 - Leader in the segment in HK with strong competitive edge
 - Almost fully occupied with stable average rent growth

- ▶ **CUIRC**
 - Remarkable throughput growth at 30% and AOP growth at 41%
 - New Guangzhou terminal is under construction and is expected to commence operation in 2021

- ▶ **Xiamen Container Terminal Group (XCTG)**
 - Recovered strongly from the negative impact from COVID-19
 - Throughput 4.8MM TEUs (+10% yoy)
 - AOP -8% yoy due to change in mix of cargo with more transshipments



Outlook

- Business is expected to remain strong
- Seeking opportunities to further invest in modern logistics to capitalize on the rapid demand in logistics under the new economy

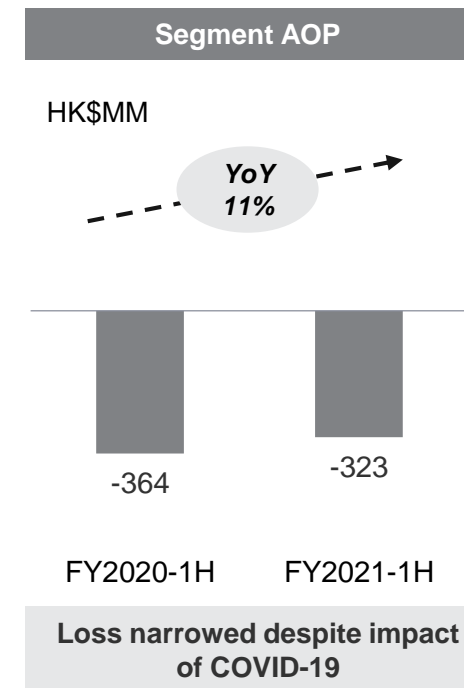


Continuous efforts to improve the business performance

- ▶ Cost-saving initiatives measures to mitigate losses
- ▶ Continue strong ramp up & operational expansion in GHK

Improved performance despite tough environment

- ▶ **GHK Hospital – Ramping up rapidly & AOL narrowed**
 - Outpatient & inpatient admission +18% & +31% yoy
 - New service centres & decent ramp up of clinic after relocated to New World Tower in Central
 - DrGo, a virtual outpatient clinic, was launched in Aug 2020
 - Regularly utilized beds: 204 (FY2020-1H:190)
- ▶ **HKCEC – Reversed from AOP to AOL (c. 50% of segment AOL)**
 - No. of events held: 105 (-71% yoy)
 - Total patronage: c. 0.4MM (-91% yoy)
- ▶ **Free Duty – Stringent austerity measures reduced AOL**
 - Closure of 3 outlets in Lo Wu, Hung Hom & Lok Ma Chau since late Jan/early Feb 2020 due to COVID-19



Outlook

- Business outlook rests on when the borders could be reopened
- Ready to capture the opportunities once cross-border travel resumes



Discontinued operations

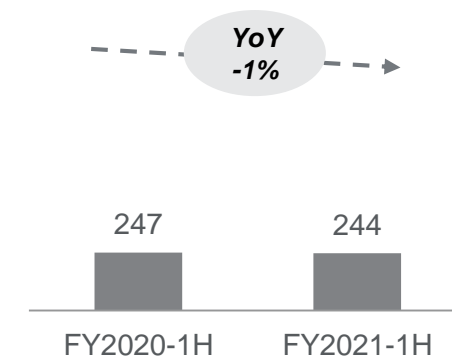
▶ SUEZ NWS & Derun Environment

- Announced disposal of SUEZ NWS & Derun Environment in Jan 2021 at a total consideration of HK\$6.5Bn
- Attractive valuation with implied FY2020 P/E:
 - SUEZ NWS: c. 18x
 - Derun Environment: c. 16x

- ▶ ForVEI II S.r.l. (installed capacity +0.55MW to 49.67MW), together with the remaining environment projects are reclassified to Strategic Investment segment

Segment AOP

HK\$MM





Environment, Social & Governance (ESG)

ESG ratings and recognitions (as of 9 Feb 2021)

Achievements in ESG

Performance highlights



Hang Seng Corporate
Sustainability Index
Series Member 2019-2020

Overall Rating: **AA+**

- Up from AA in 2019
- Successfully listed on Hang Seng Corporate Sustainability and Hang Seng ESG50 Indices
- Listed on Hang Seng Corporate Sustainability Benchmark Index since 2013



SUSTAINALYTICS

a Morningstar company

Construction & Engineering:

Rank 29 out of 267 As of Dec 2020



Best Corporate Governance Award 2020

Gold Award in the Non-Hang Seng Index
(Medium Capitalization) Category in the
Institute's 20th Anniversary Best Corporate
Governance Awards



Heavy Construction Asia Pacific:

Sector ranking: 3 out of 25



BB over AAA

Sustainability financing

Achievements in ESG

NWS First Sustainability-linked Loan

- On 29 June, NWS announced first sustainability-linked loan of HK\$1Bn with Crédit Agricole Corporate and Investment Bank



2020



2021

Second Sustainability-linked Loan

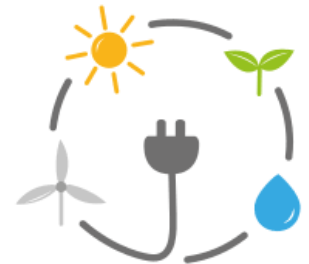
- In Feb 2021, NWS announced its sustainability-linked loan of HK\$1Bn with Bank of America



Climate Resilience Measures

Key initiatives

- **Initiated Transition Risk Assessment towards low carbon economy in 2021 (updated Feb 2021)**
- **NWS' 2nd Sustainability-Linked Loan of HK\$1 billion with Bank of America in Feb 2021**
- Climate Change Policy established (along with Sustainability Policy)
- Set climate related targets: GHG⁽¹⁾ and Energy intensity reduction of 50% by 2030 (on track)
- Climate scenario planning study piloted to assess physical risks for HKCEC
- Signatory of BEC Low Carbon Charter
- BEC⁽²⁾ Climate Change Business Forum Advisory Group – Steering Committee member
- As an investor:
 - Progressively phasing out investments relating to coal fired power
 - Adopting ESG considerations for future investments



Notes:

1. GHG – Greenhouse Gas

2. BEC – Business Environment Council

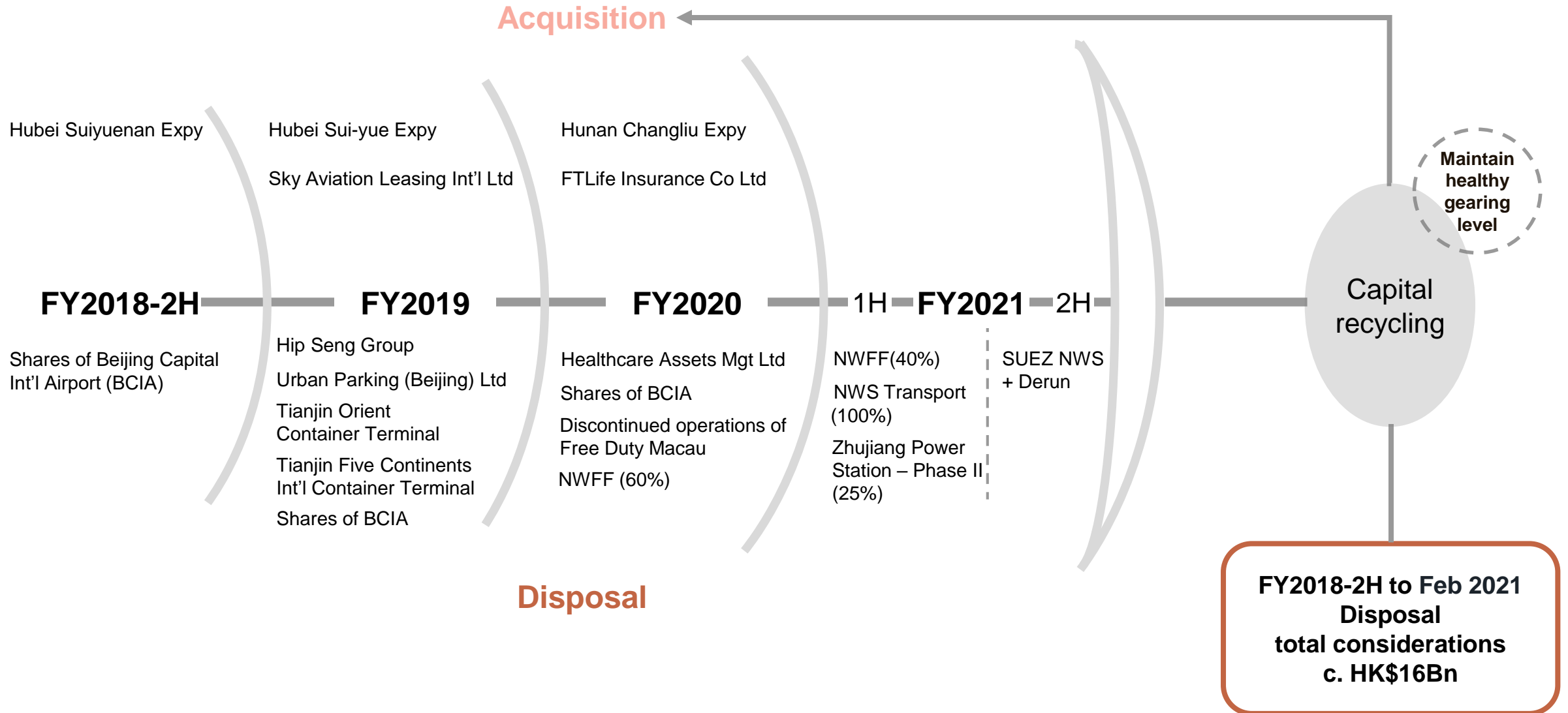


Appendices

Corporate Structure



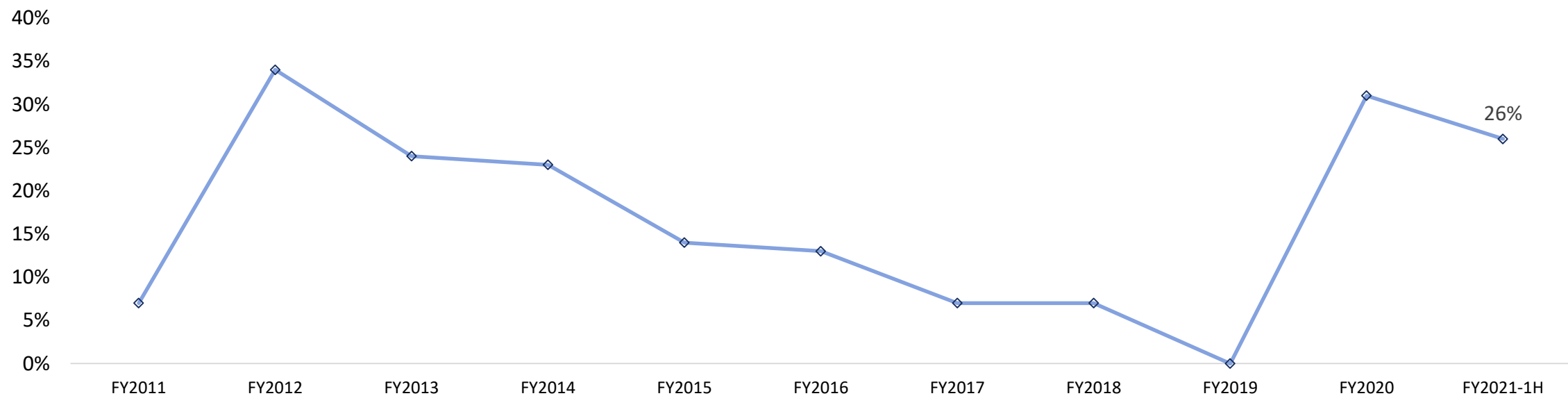
Optimization of business



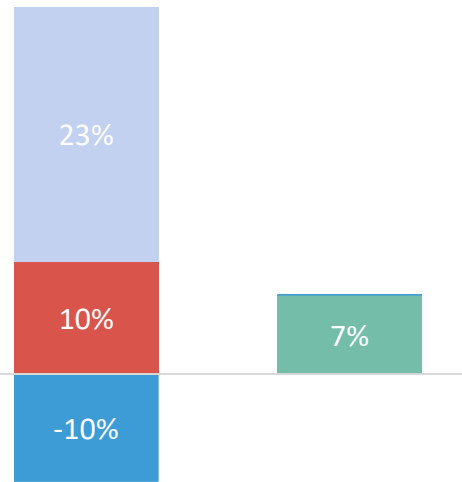
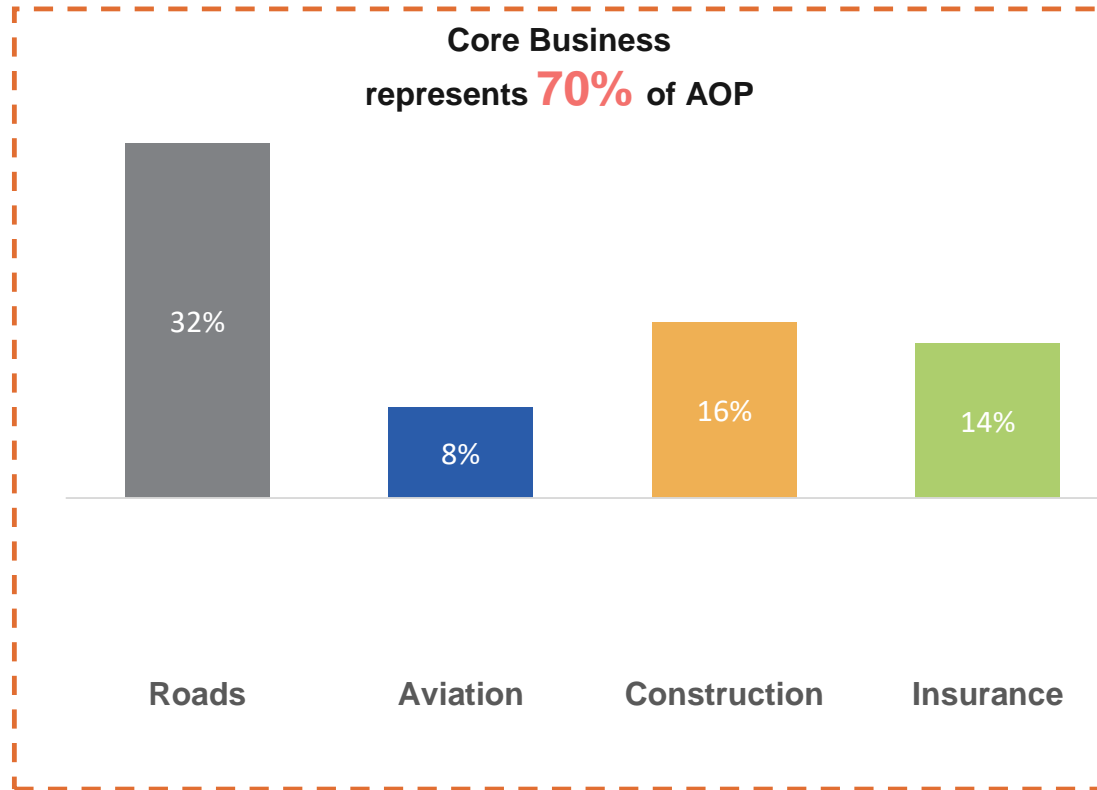
Financial highlights

As at	30 Jun 2020 (HK\$MM)	31 Dec 2020 (HK\$MM)
Total cash & bank balances	13,221.8	10,987.6
Total debt	30,955.7	26,288.6
Net debt position	17,733.9	15,301.0
Net gearing ratio	31%	26%

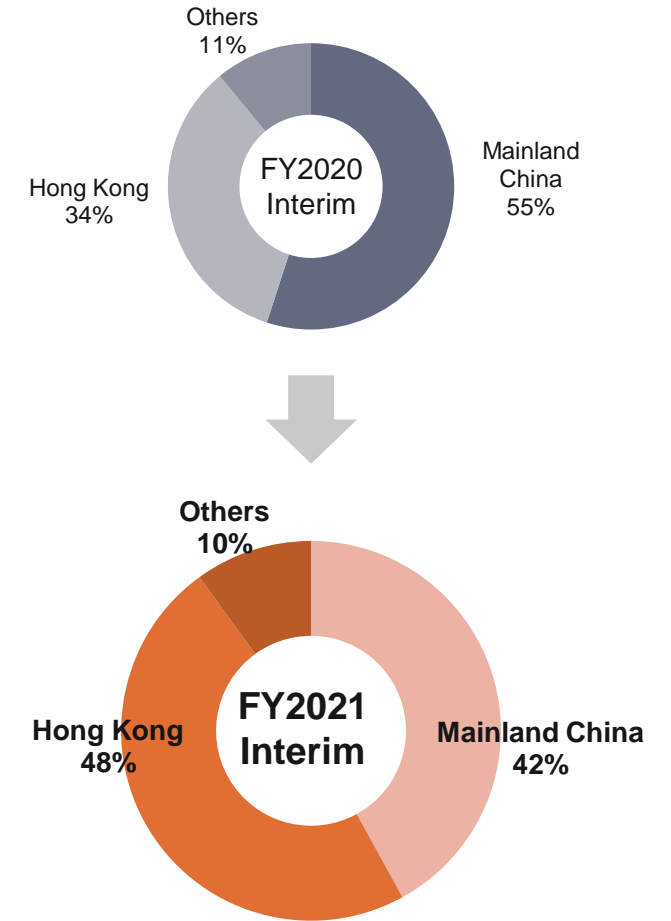
Net Gearing Ratio



AOP by segment and geography

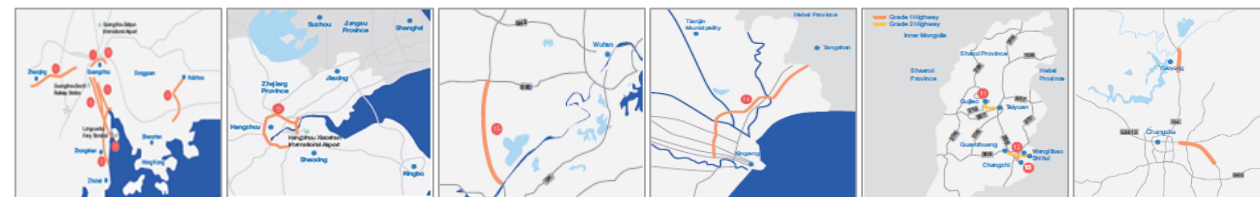


- Logistics
- Facilities Management
- Strategic Investments
- Environment
- Transport





Portfolio of 15 toll roads in PRC c.740 km



	Guangdong	Zhejiang	Hubei	Tianjin	Shanxi	Hunan
# of Roads	7	1	1	1	3	2
Length	313.9 km	103.4 km	98.06 km	60.67 km	76.52 km	89.08 km
Concession Expiry	2023–2035	2029	2040	2039	2023–2025	2038-2043
Cumulative Average Daily Traffic Flow ('000)	1,273	366	33	86	4	83

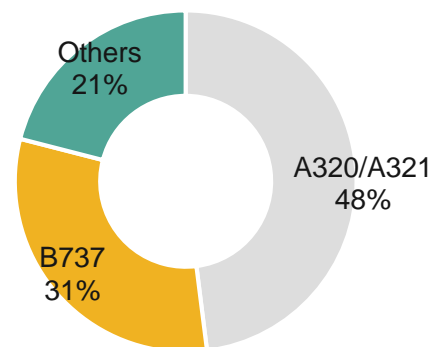
- 4 anchor expys, namely Hangzhou Ring Road (100%), Tangjin Expy (Tianjin North Section) (60%), Guangzhou City Northern Ring Road (65.29%) & Beijing-Zhuhai Expy (Guangzhou-Zhuhai Section) (25%), contributed c.80% of Roads segment's AOP



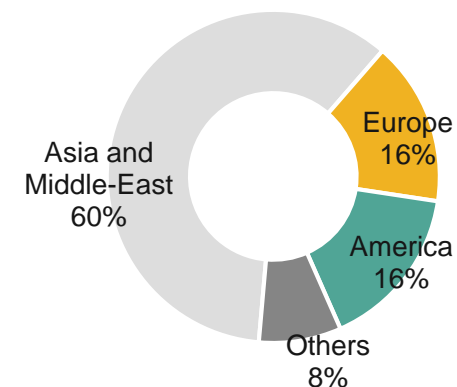
Goshawk Aviation – Leading global aircraft leasing platform

As at 31 Dec 2020, 162 aircraft on book⁽¹⁾

Aircraft Type



Geographical Spread



Aircraft leasing portfolio

Fleet size as of 31 Dec 2020⁽²⁾	224 aircraft (incl. 40 direct orders)
Combined appraised value	c. US\$10.1Bn
Narrowbody aircraft	c. 79%
Diversified customer base⁽³⁾	61 airlines over 34 countries
Age⁽³⁾	Avg 5.0 years
Long remaining lease terms⁽³⁾	Avg 5.9 years

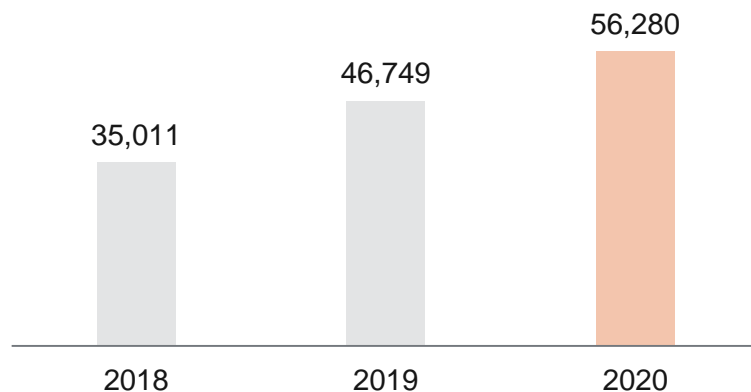
Note::

1. Based on the current market value
2. Incl. owned, managed & committed
3. Based on 162 aircraft on book as at 31 Dec 2020



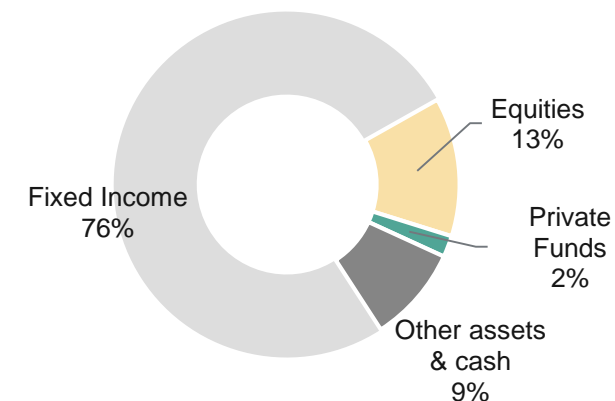
FTLife Insurance investment portfolio (as of 31 Dec 2020)

Investment Portfolio AUM* (HK\$'M)

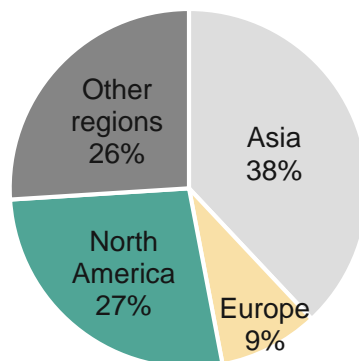


* Exclude Investment-Linked Assurance Scheme business

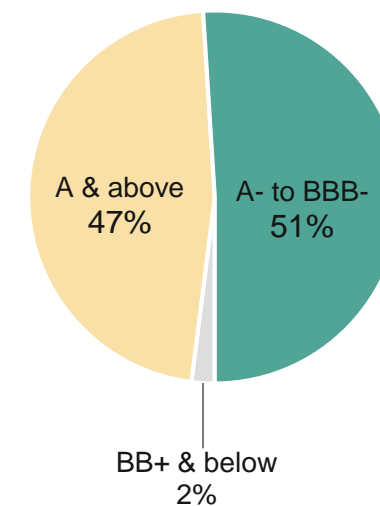
Asset Types



Geographical Distribution



Credit Rating Distribution





Strategic investments in logistics in Greater China

CUIRC

- JV with China State Railway Group, PSA, CIMC & Deutsche Bahn
- 12 large-scale rail container terminals in the PRC
- Rail intermodal & international transportation
- Expansion of logistics services
- New terminal in Qinzhou Guangxi to link up sea-rail transportation between Western China & Southeast Asia
- Guangzhou terminal at construction stage



CUIRC (Multiple locations across PRC)

Port

- 1 port project in Xiamen



Xiamen Container Terminal Group

ATL Logistics Centre

- Located in HK - Largest logistics centre with ramp access in the world
- Total leasable area: 5.9MM sqft



Transaction Update

Disposal of Interests in SUEZ NWS Limited (“SUEZ NWS”) and Chongqing Derun Environment Co., Ltd. (“Derun”)

NWS crystalizes value via disposal of SUEZ NWS & Derun

Transaction Summary

- On 11 January 2021 after trading hours, NWS announced the disposals of the majority of its assets within the Environment segment to its long term partner Suez, including its:
 - Entire 42% interest in SUEZ NWS** at a consideration of **HK\$4,173m** (“SUEZ NWS disposal”)
 - Entire 12.55% effective interest in Derun held through Suyu** which is in turn held by NWS HKI at a consideration of **HK\$2,360m** (“Derun disposal”)
 - Total consideration** of the 2 disposals amount to **HK\$6,533m**
- Total gross cash proceeds from the exit amount to **~HK\$7,445m**, from:
 - SUEZ NWS disposal: **HK\$4,173m**
 - Suyu disposal: **HK\$2,360m**
 - Special dividend: **HK\$160m**
 - Repayment of shareholders’ loan from SUEZ NWS: **HK\$752m**
- Completion of SUEZ NWS disposal
 - Subject to HK government’s approval
 - If completion takes place after March 2021, SUEZ NWS will declare an interim dividend no less than 55% payout ratio for CY2021, up to completion date, payable to NWS and Suez pro rata after completion
 - Completion of Derun disposal is subject to and will be on the same day as completion of SUEZ NWS disposal
- After completion of the 2 disposals, NWS will no longer have any interest in SUEZ NWS, Derun, Suyu and NWS HKI

Transaction Valuation

HK\$m	SUEZ NWS	Suyu
Consideration	4,173	2,360
FY2020A AOP to NWS	232.7	147.8
Implied FY20A P/E	17.9x	16.0x
Industry average (<i>water operations</i>) ^{1,2}		
HK listed	4.9x	
China listed	15.9x	
Average	11.2x	

Financial Impact to NWS

HK\$m		
Est. gain on disposal (<i>before contingent liabilities & transaction cost</i>)	140	
Remeasurement loss (<i>after contingent liabilities & transaction cost</i>)	0.1bn	

Notes:

(1) Source from FactSet as of Dec 31, 2020

(2) HK listed water operation companies include Beijing Enterprises Water Group, China Water Affairs Group, and SIIC Environment; China listed water operation companies include Jiangxi Hongcheng Waterworks, Beijing OriginWater Tech, Beijing Capital and Grandblue Environment

Transaction rationale and benefits

1 Crystalizes investment value of SUEZ NWS & Derun for NWS shareholders

- Current value of investments in SUEZ NWS and Derun are not fully recognized by the market: significant Holdco discount due to complex shareholding structure in SUEZ NWS and Derun
- Exit multiples are materially higher than average HK and China listed peers

2 Opportunity to allocate resources to core competencies, invest in projects with higher growth prospects and synergistic to core segments

- NWS has been optimizing its business portfolio since 2018. Prior to the SUEZ NWS & Derun disposals, ~HK\$9 billion has been recouped from the disposal of other assets in the past three years.
- SUEZ NWS and Derun are part of non-core strategic investments that NWS has a minority ownership and doesn't have meaningful management control
- Cash proceeds from the disposals will allow NWS to increase investments in core segments and capture investment opportunities ahead (e.g. investments in Roads and Logistics) and opportunities with growth potential, strong recurring income / cash flow and lucrative returns

3 Decreasing AOP contribution from Environment segment with uncertain growth potential ahead

- Environment segment AOP has been trending down over the past three years

(HK\$m)	FY2018	FY2019	FY2020
AOP from Environment segment ¹	431.5 ²	418.2 ³	354.8
<i>Change yoy</i>		<i>(3.1%)</i>	<i>(15.2%)</i>

- Future growth will be driven by acquisition of new projects with capital injection, which may be uncertain and expensive due to rising competition especially in mainland China market

Notes:

- (1) Excluding one-off fair value gain or impairment loss; AOP refers to attributable operating profit which represents the profit available for appropriation before corporation office and non-operating items; SUEZ NWS and Derun are main contributors to AOP from Environment segment
 (2) Excluding one-off fair value gain of HK\$62.6m recognized from Chongqing Silian Optoelectronics Science & Technology Co., Ltd.
 (3) Excluding one-off fair value gain of HK\$232.5m as a result of change of accounting treatment of an investment under SUEZ NWS and impairment loss of HK\$21.7m from Derun

Overview of SUEZ NWS & Derun

SUEZ NWS

- Engages in the provision of (1) water and wastewater treatment, (2) recycling and waste recovery, (3) treatment infrastructure services and (4) smart environmental solutions in Mainland China, Hong Kong, Macau and Taiwan
- Manages over 70 water and waste contracts in more than 30 cities in the PRC

Key financials

HK\$m	For the financial year ended 31 December	
	2018	2019
Profit before income tax	1,428	919
Profit after income tax	1,346	801
Profit attributable to SUEZ NWS shareholders	1,273	661
Net asset value (incl. non-controlling interest)		10,872

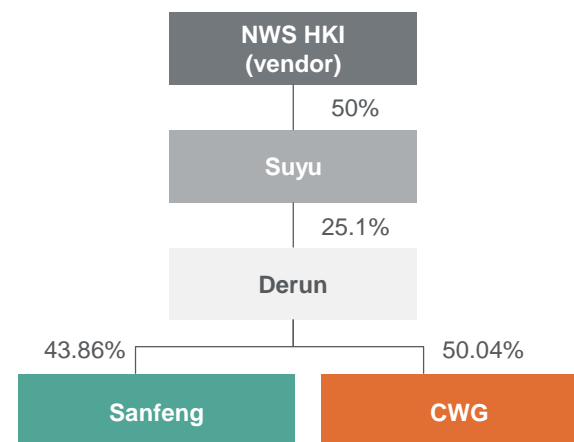
AOP to NWS

HK\$m	For the financial year ended 30 June	
	2019	2020
42% of SUEZ NWS	298.3 ¹	232.7

Notes:
 (1) Excluding one-off fair value gain of HK\$232.5m as a result of change of accounting treatment of an investment under SUEZ NWS
 (2) Excluding one-off impairment loss of HK\$21.7m from Derun
 (3) As at 31 December 2020

Derun

Shareholding structure at announcement



AOP to NWS

HK\$m	For the financial year ended 30 June	
	2019	2020
12.55% of Derun	158.8 ²	147.8

Sanfeng

- Invests in waste incineration power generation projects and providing related equipment in the PRC
- Market cap: RMB 13.9bn³
- 2019 net profit: RMB 554m

CWG

- Engages in water supply and waste water treatment in Chongqing city and Sichuan province
- Market cap: RMB 24.6bn
- 2019 net profit: RMB 1,665m



新創建 NWS



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