

August 18, 2021

Mr. Gilbert Ho
Executive Director
28/F New World Tower,
18 Queen's Road Central,
Hong Kong

Dear Mr. Ho,

We hope this letter finds you and your company well! We would like to congratulate NWS (the "Company") on the positive profit alert for its FY2021 results, which shows that the Company is experiencing a solid recovery from the COVID-19 pandemic. We are also pleased to learn of the disposals of the Xiamen Container Terminal Group Co. in June, which together with other non-core asset disposals amount to around HKD13 billion for the past 18 months. While we appreciate the Company's corporate strategy and how it streamlines its business portfolio, we would like to make several suggestions to further enhance shareholder value:

1. Debt reduction

With HKD13 billion of non-core asset disposal over the past 18 months, we appreciate the Company redeeming its 2029 Guaranteed Senior Note this April to lower its debt ratio and interest expense. We support the Company's efforts to optimize its debt ratio further because the financing cost still accounts for 35% of its profit before income tax. Reducing 10% of its total debt will improve the bottom line by around 5-6%.

2. Higher dividend payment

According to the latest positive profit alert, attributable operating profit (AOP) is 42% higher than last year, which is higher than the pre-COVID-19 period by mid-single digits. As business begins to normalize, and the Company has ample cash on its balance sheet, we recommend a higher dividend payment to align the Company's progressive dividend policy initiated in FY2019. This not only benefits the parent company, New World Development Co. Ltd., but also rewards and attracts existing and new shareholders.

3. Investor update on FTLife

FTLife Insurance Company Ltd. ("FTLife") is one of the most important segments for NWS. We are encouraged by its prospect in Hong Kong which showed an annual premium equivalent growth of 60% in the first quarter of this year. In 2020, a webinar with FTLife's CEO was helpful and informative for investors, therefore we recommend the Company to host similar updates regularly. Furthermore, in order to provide more clarity to investors and to align with general industry practice, we suggest the following disclosures:

- Breakdown of total invested assets - Although we have high confidence in its high solvency ratio, which is currently above 500%, further information on the investment portfolio will raise an even higher confidence in the market.
- Portfolio and investment returns - This would provide investors with more information on the key income drivers of the business.
- Insurance product mix and premium mix - FTLife has been launching a significant number of new products recently. Investors would be able to assess the business more accurately by understanding its product mix and premium mix to gauge its business developments.

If you have any questions or comments regarding our recommendations, please feel free to contact us. Thank you for your attention.

Sincerely,



Ronald Chan
Chief Investment Officer
Chartwell Capital Limited