

February 5, 2021

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

Dear Mr. Ho,

Greetings! We would like to congratulate NWS (the "Company") on the disposals of Suez NWS Limited and Chongqing Derun Environment Co., Ltd. last month. As a shareholder, we appreciate your continuous effort to divest non-core assets. With close to HKD11 billion of disposals over the past 12 months, we would highly recommend that the company considers the following suggestions:

1. Debt reduction or special dividend to improve shareholder value

The cash proceeds of HKD11 billion worth of disposals account for close to 35% of the current market cap. Our recommendations for the board are as follows:

a. Debt reduction

We highly recommend the company to reduce its debt to see immediate improvements in profitability and strengthen the balance sheet. The current net debt is HKD17.7 billion and net debt gearing ratio is 31%. In FY2020, the finance cost expense was over HKD900 million, or 100% higher than a year ago. We believe that lowering the current debt level will bring a positive impact to the bottom line immediately.

b. Special dividend

We also recommend that the company pays a special dividend to reward shareholders. Based on our estimation, allocating 10% of the total disposal proceeds as a special dividend will drive up the current dividend yield from 7% to around 10%. Not only would this benefit the parent company, New World Development Co. Ltd (NWD), which will receive an extra HKD660 million, but minority shareholders will also benefit.

c. Share buyback

Share buyback is another good option to be considered. We recommended share buyback in our Oct 2020 letter, and we still think NWS trades below its intrinsic value.

2. **Business expansion in the Greater Bay Area (GBA)**

With the available cash in hand, we strongly recommend the Company to redeploy capital into the Greater Bay Area. The Company currently focuses on two segments in the GBA: financial services and logistics/infrastructures. Our other investee companies have exposure in the asset management and logistics fields. If you be keen to meet with them to further develop your business networks in the region, we would be happy to connect you.

Thank you for your attention. Please contact us should you have any question.

Sincerely,



Ronald W. Chan
Chief Investment Officer
Chartwell Capital Limited