

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

NWS Holdings Limited (security code: -)

<Assignment>

Foreign Currency Long-term Issuer Rating:	A+
Outlook:	Stable
Local Currency Long-term Issuer Rating:	A+
Outlook:	Stable

Rationale

- (1) NWS Holdings Limited (NWS) is a Hong Kong-based conglomerate that operates a diverse range of businesses focused on roads, insurance, logistics, construction and facility management through its operating subsidiaries, joint ventures and associated companies. Its largest shareholder was New World Development (NWD), a major property developer in Hong Kong, but in 2023, Chow Tai Fook Enterprises Limited (CTFE), led by the founding family of the NWD Group, acquired a majority of shares in NWS, becoming its largest shareholder. The ratings reflect the creditworthiness of the group led by holding company NWS and evaluate its stable earning power and high cash flow generation capability. Although NWS's financial structure may temporarily be affected by a special dividend to be paid in FY2024, JCR holds that the company's financial leverage will return to the current level in the medium term, given its profitability and conservative financial policy. If the company's financial structure deteriorates more than expected due to a decline in profitability or an increase in debt, JCR will factor that into its future ratings.
- (2) Following the completion of the restructuring of the NWD Group in 2003, NWS has been building its portfolio as a company in the infrastructure sector of the NWD Group while flexibly responding to changes in the business environment. NWS classified its operations into the "Core Business" and the "Strategic Portfolio" between FY2019 and FY2023, and has since been pursuing capital recycling by e.g. acquiring FTLife, a life insurance company in Hong Kong, and investing in toll roads in China as its core business while disposing of its bus operating business. It sold its aircraft leasing business in FY2023. As a result of the capital recycling, its current business portfolio consists of five operating segments (Roads, Insurance, Construction, Logistics and Facilities Management). By segment, 38.3% of the company's attributable operating profit (AOP: operating profit after taking into account gains/losses from investments in associated companies and JVs) in the first half of FY2024 came from Roads, 19.4% from Insurance, 18.5% from Construction, 16.7% from Logistics and 5.8% from Facilities Management, indicating a certain degree of diversification while Roads remains the main contributor. In the road business, NWS owns the concession rights to 15 expressways in China. With the exception of some minor expressways, the company has been successfully extending the concession period and the average remaining concession period was 12 years as of the end of 2023. In the insurance business, FTLife, which the company acquired in 2019, offers insurance products such as life, health, accident and savings in Hong Kong. FTLife's market share ranks 10th in Hong Kong in terms of annualized premium equivalent (APE). Its solvency ratio as of the end of the first half of FY2024 was 272% (on an HKRBC basis), well above the minimum regulatory requirement of 100%. In the construction business, NWS is engaged in private commercial and residential construction projects and government-related projects in Hong Kong through Hip Hing Construction and other subsidiaries. The logistics business includes the majority ownership of ATL Logistics Centre (ATL) in Hong Kong as well as a number of wholly-owned logistics warehouses and an equity interest in a railway container terminal operator in China. In addition, NWS has been accelerating investment in logistics facilities in China to expand its portfolio in recent years. In the facilities management business, the company operates the Hong Kong Convention and Exhibition Centre, duty-free stores and hospital.
- (3) Looking at each segment's earnings trend (on an AOP basis) in recent years, profit from the road business has been stable except for FY2020, when the Chinese government implemented a tariff exemption for toll roads. Barring measures related to temporary special factors such as the Covid-19, earnings tend to be largely swayed by the traffic volume on owned roads. NWS has a diversified road portfolio in multiple regions and traffic volumes have remained steady in keeping with the economic

development in each region. Given that the average remaining concession period is 12 years, earnings from the road business are expected to stay stable for the time being. In the insurance business, profit has been on an upward trend due to strong demand from Hong Kong customers and a recovery of sales to Chinese customers following the reopening of the border between China and Hong Kong in January 2023. In the construction business, margins have been squeezed by rising construction costs and other factors, however, the segment continues to contribute to the company's earnings to a reasonable extent despite the deteriorating business environment. With the Hong Kong government poised to accelerate the development of the Northern Metropolis and supply of residential land, it is expected to capture this demand and get back on track for recovery over the medium to long term. In the logistics business, ATL, which generates about 70% of its profit, continues to make a stable contribution to earnings, with its occupancy rate staying high at around 100%. In the facilities management business, the company had losses from FY2018 to FY2023 due to reduced human activity caused by the impact of the Covid-19 and other factors while it was under downward pressure from higher costs associated with the opening of hospital. However, the segment bounced back into profit in the first half of FY2024 as the business environment recovered with the reopening of the border in 2023. Against the backdrop of such earnings trend in each segment, NWS's overall profit in the first half of FY2024 increased about 18% from the year before. JCR expects that the company will continue to post solid profit, supported by its strong earnings base focusing on roads, insurance, logistics, construction and facility management.

- (4) The company's net debt-to-equity ratio and net debt/EBITDA ratio stood at 0.30 times and 1.9 times, respectively, at the end of the first half of FY2024, showing improvement since FY2020, when the business environment deteriorated. Faced with the recent changes in the interest rate environment, NWS is working to reduce its interest costs through such measures as increasing its financing in RMB, which gives less interest burden, and redeeming perpetual bonds in January 2024. As of the end of December 2023, CTFE held a 77.8% equity stake in NWS. As regulations of the Hong Kong Stock Exchange require its free-float weight (FFW) to be at least 25%, NWS is going to pay a special dividend with scrip dividend option during FY2024 with an aim to increase the FFW to comply with the regulatory requirements. Payment of the special dividend is expected to generate a certain amount of cash outflow. However, the company had HKD 20 billion in cash and cash equivalents and HKD 10.3 billion of unutilized committed banking facilities at the end of the first half of FY2024, indicating its liquidity is sufficient to absorb the burden of the special dividend. While its impact on NWS's financial structure needs to be closely monitored, JCR holds that the deterioration of the company's financial structure will be limited to a short term, given its stable profitability and its policy to reduce its financial leverage in the medium term.

Kiichi Sugiura, Shinji Asano

Rating

Issuer: NWS Holdings Limited

<Assignment>

Foreign Currency Long-term Issuer Rating: A+ Outlook: Stable
Local Currency Long-term Issuer Rating: A+ Outlook: Stable

Rating Assignment Date: April 9, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024) and "Rating Methodology for a Holding Company" (January 26, 2015) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	NWS Holdings Limited
Rating Publication Date:	April 12, 2024

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the warranty made by the issuer, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but

possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦 輝一

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General Manager of International Rating Department

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