25-I-0014
May 12, 2025

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

CTF Services Limited (security code: -)

<Affirmation>

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

Rationale

(1) CTF Services Limited (CTFS) is a Hong Kong-based conglomerate that operates a diverse range of businesses through its operating subsidiaries, joint ventures and associated companies. Its largest shareholder is Chow Tai Fook Enterprises Limited (CTFE), a major Hong Kong conglomerate, which held about 75.6% of CTFS shares at the end of 2024. The ratings reflect the creditworthiness of the group led by holding company CTFS and evaluate its stable earning power and high cash flow generation capability. Cash obtained through a steady business performance and the sale of non-core businesses is being actively allocated to new investments and shareholder returns. JCR holds that the company's financial leverage will remain within a certain level in the medium term, given its profitability and financial target. However, if the company's financial structure deteriorates more than expected due to a change in its financial policy and other factors, JCR will factor that into its future ratings.

(2) CTFS builds its portfolio by flexibly responding to changes in the business environment and currently focuses on five operating segments (Roads, Insurance, Logistics, Construction, and Facilities Management). By segment, 34.5% of its attributable operating profit (AOP: net profit before corporate office and non-operating items after taking into account share of profits/losses from investments in associated companies and JVs) in the first half of FY2025 came from Roads, 27.6% from Insurance, 17.6% from Construction, 17.4% from Logistics and 0.4% from Facilities Management, indicating a well-balanced business structure. In the road business, CTFS invests and operates the concession rights of 14 toll roads in China. The average remaining concession period for those 14 toll roads was 11.5 years as of the end of 2024. In the insurance business, CTF Life (formerly FTLife), which the company acquired in 2019, offers insurance products such as life, health, accident and savings in Hong Kong. It is growing its business through utilizing the Chow Tai Fook Group's ecosystem, such as cross-selling. CTF Life’s market share ranks 11th in Hong Kong in terms of annualized premium equivalent (APE) in the first nine months of 2024. Its solvency ratio as of the end of the first half of FY2025 was 266% (on an HKRBC basis), well above the minimum regulatory requirement of 100%. The logistics business holds a majority stake in ATL Logistics Centre (ATL) in Hong Kong and owns a number of logistics facilities in China. It also holds an equity stake in China United International Rail Containers (CUIRC), which operates railway container terminals in China. In the construction business, CTFS is engaged in private commercial and residential construction projects and government-related projects in Hong Kong through Hip Hing Construction and other subsidiaries. In the facilities management business, the company operates the Hong Kong Convention and Exhibition Centre (HKCEC), Kai Tak Sports Park (KTSP) and a hospital.

(3) Looking at the performance of each business in the first half of FY2025, the road segment’s AOP fell by approximately 6% year on year mainly due to the expiration of the concession right for the Guangzhou City Northern Ring Road, one of the major expressways in its portfolio in March 2024, and a decrease in the long-distance traffic on one of its expressways following the opening of a new expressway between Shenzhen and Zhongshan in June 2024. However, CTFS has a diversified road portfolio in multiple regions and traffic volumes are generally steady in keeping with the economic development in each region. Moreover, there are no major expressways with high AOP contributions whose concession rights are due to expire in the near term. Taking these factors into consideration, AOP from the road business is expected to remain solid for the time being. The insurance segment’s AOP increased by approximately 49% year on year due to the release of accumulated contractual service margin (CSM) resulting from business growth. AOP in the logistics business increased by approximately 9% year on year. This was brought by stable earnings contributions from ATL and

increased earnings by CUIRC amid the growing demand for multimodal transportation and China-Europe Express Rail. The construction segment, which is under pressure from rising construction costs and intensifying competition, managed to keep its AOP little changed from the previous year despite the challenging private property sector business environment by shifting its focus to government-related projects. In the facilities management segment, earnings at HKCEC declined due to a reduced number of banquet events caused by the slowdown of the Hong Kong economy and its duty-free store business performed poorly, resulting in a significant decrease in AOP. However, the proportion of the segment in the company's total AOP is relatively small. Its AOP setback was small enough to be absorbed by increased AOP made by other segments. CTFS sold its duty-free store business in December 2024. Based on the performance of each segment, the company's AOP and net income in the first half of FY2025 increased from the year before. JCR expects that the company's performance will continue to stay stable, supported by its strong earnings base.

(4) The company's net debt-to-equity ratio and net debt/EBITDA ratio stood at 0.39 times (0.42 times on a shareholder’s equity base excluding perpetual securities) and 2.3 times, respectively, at the end of the first half of FY2025, showing slight deterioration from 0.35 times (0.39) and 2.1 times the year before. Its increased interest-bearing debt in recent years is due mainly to an expanded borrowing to repay perpetual securities. As a result of increasing RMB-denominated borrowing, which carries lower interest rates, the company's average borrowing cost declined from 4.7% in FY2024 to 4.2% in the first half of FY2025. Encouraged by its stable performance, the company paid a special dividend in addition to the interim dividend in April 2025. The cash obtained through the sale of non-core businesses and one-time income related to Goshawk were used as the source of the special dividend. CTFS had HKD 18.6 billion in cash and cash equivalents and HKD 11.3 billion of unutilized committed banking facilities at the end of the first half of FY2025, indicating its liquidity is sufficient to absorb the burden of the special dividend payment. JCR holds that the impact of the special dividend on the company's financial structure is limited, given its stable profitability and its policy to keep its financial leverage below the target level. However, if there is any weakening of financial discipline, such as a continued payment of excessive special dividends, and if the financial structure deteriorates more than expected, that will be reflected on the rating.

Kiichi Sugiura, Shinji Asano

Rating

Issuer: CTF Services Limited

<Affirmation>

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

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

Rating Assignment Date: May 7, 2025

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" (October 1, 2024) and "Rating Methodology for a Holding Company" (April 2, 2025) 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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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

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

Issuer:	CTF Services Limited
Rating Publication Date:	May 12, 2025

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 Rule17g-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

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- 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/

13 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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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
CTF Services Limited	Issuer(Long-term)(FC)	April 12, 2024	A+	Stable
CTF Services Limited	Issuer(Long-term)(LC)	April 12, 2024	A+	Stable

Attachment

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

Kiichi Sugiura
General Manager of International Rating Department

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