

CTFS Announces FY2025 Interim Results

- Ample Liquidity and Healthy Financial Position -

(26 February 2025, Hong Kong) CTF Services Limited (the “Company” and its subsidiaries, collectively, “CTFS” or the “Group”; Hong Kong stock code: 659) today announced its interim results for the six months ended 31 December 2024 (the “Current Period” or “1HFY2025”).

HIGHLIGHTS

- The Group achieved a **4% year-on-year uptick** in overall Attributable Operating Profit (“AOP”, a non-HKFRS measure), reaching HK\$2,225.3 million with the Group’s Operating Businesses, namely Roads, Insurance, Logistics, Construction and Facilities Management (excluding Free Duty business which has been disposed of), recording an **8% year-on-year growth** in AOP.
- The profit attributable to shareholders of the Company **increased robustly by 15%** to HK\$1,157.6 million.
- The Group’s financial position remained healthy. **Total available liquidity stood at approximately HK\$29.9 billion** as at 31 December 2024, comprising cash and bank balances of approximately HK\$18.6 billion and unutilized committed banking facilities of approximately HK\$11.3 billion.
- Committed to **sustainable and progressive dividend policy** in respect of the ordinary dividend. Interim Ordinary Dividend is HK\$0.30 per share (interim ordinary dividend for the six months ended 31 Dec 2023 (the “Last Period”): HK\$0.30 per share).
- With the aim to return and maximize value to our shareholders, following the receipt of cash proceeds from recent non-core businesses and legacy investment disposals and the Group’s share of partial insurance settlements from Goshawk, the Board has resolved to declare a Special Dividend of HK\$ 0.30 per share.

Proactive and Prudent Financial Management

The Group maintains a healthy financial position. The Group’s average borrowing costs reduced to approximately 4.2% (Last Period: 4.8%) per annum for the Current Period. The Group proactively managed its financing cost by using Renminbi (“RMB”) debt with lower financing costs to replace a portion of offshore debt with higher financing costs. The RMB debt proportion rose to 63% of its total debt as at 31 December 2024 (30 June 2024: 60%; 31 December 2023: 49%). The ratio of RMB liabilities to RMB assets increased further to about 78% (30 June 2024: about 65%). The RMB-denominated debts serve as a natural hedge against the Group’s RMB assets to reduce substantially the negative impact on its equity resulting from potential further depreciation of the RMB against the Hong Kong Dollar. As at 31 December 2024, the ratio of fixed-rate debt to total debt expanded to 68% from 54% as of 30 June 2024.

Diversified Funding Channels

In 1HFY2025, the Group further enhanced its debt structure to navigate the volatile market environment. In August 2024, the Group issued US\$400 million 6.375% senior notes due 2028 at the issue price of 99.265%, thereby strengthening the debt profile by diversifying funding source and optimizing the maturity profile. Additionally, the Group’s sustainability-linked and green facilities amounted to approximately HK\$15.5 billion as at 31 December 2024 (30 June 2024: approximately HK\$14.1 billion).

In January 2025, the Group received the notice of acceptance of registration from the China Securities Regulatory Commission and the Shanghai Stock Exchange for the registration of perpetual corporate bonds in an aggregate amount of up to RMB5.0 billion, to be issued in multiple tranches over two years. This will enable the Group to judiciously time the issuance of the perpetual corporate bonds in the Mainland in the near future.

The Company issued HK\$780 million 4% convertible bonds due July 2025 in January 2025, with the primary objective of restoring its public float to meet the minimum requirement of 25% as stipulated in the Listing Rules. The initial conversion price for the convertible bonds is set at HK\$8.043 per share. Assuming full conversion of the bonds into new shares, the public float of the Company will increase from approximately 23.83% to approximately 25.64%.

Optimization of Businesses

The Group continues to proactively refine its business portfolio by divesting stagnant assets. The successful sale of its Free Duty business in December 2024 and the disposal of its entire interests in Hyva Group in January 2025 by the Group's joint venture enable the Group to recuperate cash for future acquisitions and allocate resources to segments with stronger growth prospects. The announced acquisition of Hsin Chong Aster Building Services Limited is expected to be completed in the first quarter of 2025. This will strengthen CTFS Construction Group's electrical and mechanical (E&M) capabilities, facilitating comprehensive, one-stop solutions for clients and thereby contributing to improved profitability.

Business Performance Highlights

Roads

During the Current Period, the resilient business performance of the Roads segment was bolstered by the strategic locations of the Group's Road portfolio. Overall like-for-like average daily traffic flow increased by 2% year-on-year, while like-for-like average daily toll revenue saw a decline of 3% year-on-year. In 1HFY2025, despite steady travel demand for the Group's expressways, the total AOP of the Roads segment declined by 6% year-on-year to HK\$767.1 million, mainly due to the expiry of concession periods for Guangzhou City Northern Ring Road in March 2024. As at 31 December 2024, the overall average remaining concession period of the Group's road portfolio was approximately 11.5 years.

Insurance

The Group's Insurance segment achieved an impressive 49% rise in AOP, reaching HK\$614.3million in the Current Period. This remarkable growth is mainly driven by the increase in the Contractual Service Margin ("CSM") release owing to business growth. Supported by the profitable business growth and favourable economic movements, the CSM release surged by 52% year-on-year to HK\$570.2 million, while CSM balance, net of reinsurance, grew by 13% to approximately HK\$9.2 billion as of 31 December 2024 as compared to 30 June 2024.

The overall Annual Premium Equivalent (“APE”) of Chow Tai Fook Life Insurance Company Limited (“CTF Life”) totalled HK\$1,547.4 million in the Current Period, a decline of 26%. This was primarily attributed to the release of pent-up demand from Mainland Chinese visitors following the border reopening in the Last Period. Weaker performance in the partnership and premier business channels also led to this decline, although it was partially mitigated by robust performance from the agency channel.

As at 31 December 2024, CTF Life’s solvency ratio on the Hong Kong Risk Based Capital basis stood at 266%, which is distinctly higher than the minimum regulatory requirement of 100%. In the first nine months of 2024, CTF Life’s market position ranked 11th among Hong Kong life insurance companies by APE.

Logistics

The Logistics segment recorded an overall increase in AOP by 9% year-on-year, reaching HK\$387.8 million. ATL Logistics Centre Hong Kong Limited (“ATL”) achieved sustained growth, and China United International Rail Containers Co., Limited (“CUIRC”) demonstrated a substantial surge in profits. As at 31 December 2024, ATL’s occupancy rate stood at a healthy level of 93.6% (30 June 2024: 96.3%), accompanied by a remarkable average rental growth of 10% year-on-year. As at 31 December 2024, the average occupancy rate of six logistics properties in Chengdu and Wuhan was stable at 85.0% (30 June 2024: 85.4%), while the logistics property in Suzhou remained fully let (30 June 2024: 100.0%). CUIRC recorded a strong year-on-year growth of 25% in AOP, with throughput increasing by 6% year-on-year to 3,485,000 TEUs.

Construction

The Construction segment of the Group was mainly represented by CTFS Construction Group, which comprises Hip Hing Group, Vibro Group and Quon Hing Group. During the Current Period, CTFS Construction Group demonstrated resilience by maintaining a steady AOP of HK\$390.9 million, despite facing challenges from intense competition and rising material costs.

As at 31 December 2024, the gross value of contracts on hand was approximately HK\$48.9 billion, while the remaining works to be completed was HK\$28.3 billion. During the Current Period, CTFS Construction Group secured approximately HK\$4.5 billion in new contracts.

Facilities Management

The Facilities Management segment, excluding Free Duty business which was divested during the Current Period, reported an AOP of HK\$48.5 million in the Current Period, compared to an AOP of HK\$71.7 million in the Last Period. Gleneagles Hospital Hong Kong (“GHK Hospital”) demonstrated considerable improvement, with a significantly reduced AOL compared to the Last Period, contributing positively to the segment. However, this was partially offset by the subdued food and beverage revenue at Hong Kong Convention and Exhibition Centre (“HKCEC”), resulting from reduced banquet events amid a sluggish economy, and Kai Tak Sports Park (“KTSP”) remaining in its pre-operational phase.

Driven by its premier healthcare service and enhanced reputation, **GHK Hospital** has shown consistent progress during the Current Period. The number of inpatients, outpatients and day cases increased by 2%, 5% and 28% year-on-year, respectively. EBITDA surged by 35% year-on-year, with the EBITDA margin continuing to grow.

In the Current Period, the total patronage grew by 9% year-on-year, reaching approximately 4.6 million under 426 events hosted by **HKCEC**.

Kai Tak Sports Park Limited, in which the Group holds a 25% interest, was awarded a 25-year Design-Build-and-Operate (DBO) contract by the Hong Kong government for the KTSP project in end-2018. In 1HFY2025, KTSP remains in its pre-operational phase.

In the Current Period, the Group completed the disposal of its entire stake in **Free Duty** business, marking a full exit from all investments in duty free related businesses.

Outlook

As the market landscape evolves rapidly, the Group will stay vigilant, agile, and adaptive to navigate risks and seize opportunities. The Group remains steadfast in its commitment to prudent capital and cash flow management, ensuring a healthy liquidity profile.

Mr. Brian Cheng, Executive Director and Group Co-Chief Executive Officer of CTFS, said, “We are delighted to embark on a new chapter with our new brand, CTF Services, and are excited about the stronger synergy it will bring across the Chow Tai Fook Group. We remain steadfast in our commitment in prudent capital and cash flow management, ensuring a healthy liquidity profile. By staying agile and disciplined, we will proactively navigate market challenges to ensure the Group’s sustainable growth and enhance value for our stakeholders.”

Mr. Gilbert Ho, Executive Director and Group Co-Chief Executive Officer of CTFS, added, “We will continue to rigorously evaluate, while maintaining a disciplined approach, to compelling investment opportunities in logistics and wealth management businesses arising from market challenges. Our strategy aims to enhance long-term growth prospects and further strengthen the quality of our business portfolio. Through operational excellence, we provide foundational strength to safeguard cash flow resilience and solid performance. This resilience allows us to maintain a sustainable and progressive dividend policy even amidst market volatilities.”

AOP Contribution by Segment

For the six months ended 31 December

	2024 HK\$'m	2023 HK\$'m
Roads	767.1	816.7
Insurance	614.3	413.0
Logistics	387.8	356.8
Construction	390.9	394.7
Facilities Management [#]	9.3	124.2
Strategic Investments	55.9	28.6
Total	2,225.3	2,134.0

[#] If excluding the divested Free Duty business, the Facilities Management segment reported an AOP of HK\$48.5 million in the Current Period, compared to an AOP of HK\$71.7 million in the Last Period.

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CTF Services Limited

Listed on The Stock Exchange of Hong Kong Limited, CTF Services Limited (Hong Kong Stock Code: 659) is a conglomerate with a diversified portfolio of market-leading businesses, predominantly in Hong Kong and the Mainland. The Group's businesses include toll roads, insurance, logistics, construction, and facilities management. Through the Group's sustainable business model, it is committed to creating more value for all stakeholders and the community.

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