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**CCT FORTIS HOLDINGS LIMITED**  
**( 中 建 富 通 集 團 有 限 公 司 )**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
**(Stock Code: 00138)**

## **SUPPLEMENTAL ANNOUNCEMENT**

### **THE VALUATION METHOD OF THE CONNECTED TRANSACTION DISPOSAL OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY**

Reference is made to the announcement of CCT Fortis Holdings Limited (the “**Company**”) dated 25 July 2025 (the “**Announcement**”) with respect to connected transaction in relation to the disposal of entire equity interest in the Target Company and the profit forecast in relation to the valuation method. Capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This announcement is made by the Company to disclose further details of the valuation of Target Company as at the valuation date of 30 April 2025 conducted by the Independent Valuer, in compliance with Rule 14.60A of the Listing Rules.

#### **The valuation method of the Target Company**

According to the valuation report dated 21 July 2025 (the “**Valuation Report**”), prepared by the Independent Valuer appointed by the Company, the valuation was determined by using income approach (also known as the discounted cash flow method (“**DCF**”). Pursuant to the Valuation Report, details of the principal assumptions upon which the profit forecast is based are set out in the Announcement.

## **The reasons for the selection of the income approach**

The valuation of a 100% equity interest in the Target Company engaging in the florist and food and beverage businesses requires careful consideration of the most appropriate methodology. The Independent Valuer considered the DCF under the income approach is generally more suitable than the guideline listed company method (“**Market Approach**”) or adjusted net asset value method (“**Asset Approach**”) for the following key reasons:

The DCF is Cash Flow Focus. Since florist and food and beverage businesses generate revenue through perishable goods and service-based operations, this making future cash flows a better indicator of value than market or assets multiples. Also, DCF allows for tailored projections considering seasonality (e.g. peak floral demand during holidays) and operational nuances (e.g. food and beverage traffic variations). On the other hands, as a 100% equity valuation, DCF accounts for full control over cash flows, which unlike market multiples that reflect minority stakes. That means the valuation conclusion generated by applying DCF method is not required to do further adjustment for control premium.

In valuation, DCF reflects intrinsic value based on projected performance. Besides, it is adaptable to growth scenarios (e.g. expansion into event catering). After in-depth analysis, the Independent Valuer concluded that Market Approach is not suitable in valuing the Target Company because of the lack of similar market comparable. There are few publicly traded pure-play florist and upscale western style restaurants in Hong Kong; most are conglomerates, resulting in distorted multiples.

The application of Market Approach and Asset Approach are inappropriate in valuing 100% equity interest of the Target Company. These approaches overlook the unique operational risks of the Target Company engaging in pure-play florist and upscale western style restaurants. As Asset Approach underrepresents the value of florist and food and beverage businesses derived from brand reputation (e.g. a florist’s Instagram followings) and leasehold improvements, Asset approach is only useful and suitable for asset-heavy models (e.g. restaurants owning property). Furthermore, Asset Approach ignores future earning capacity of both the florist and food and beverage businesses, which is critical for food and beverage business’ 10 - 12% industry compound annual growth rate.

Based on the above reasoning and judgement, DCF is superior for this valuation due to its forward-looking nature and alignment with the businesses’ revenue drivers. The Market Approach suffers from comparability issues, while the Asset Approach fails to capture intangible value. This analysis underscores DCF’s suitability for service-oriented, cash-generating businesses where future performance outweighs static asset values or imperfect market comparison.

## **The key specific assumptions underlying the financial projections**

Further to the major assumptions set out in the Announcement, certain additional and specific assumptions are set out below:

- 1) the projection period in the Valuation Report is approximately 5 years from 2025 to 2029 with terminal growth rate of 2%;
- 2) The revenue of the Target Group is derived from the florist and food and beverage business in Repulse Bay;
- 3) The Repulse Bay is now transforming into one of the Hong Kong's trendiest lifestyle destinations, featuring pop-ups and events in collaboration with celebrities and renowned luxury brands. In its second year of operation, in addition to retail sales of flowers and plants to nearby resident, the Target Group also supplies flowers and plants for these pop-ups and events. Revenue for 2025 and 2026 is projected to increase by approximately 25% and 10% respectively. For the years 2027 to 2029, the revenue growth rate is expected to normalize to within 5% annually. The gross profit margin is projected to remain at approximately 65% or higher throughout the projection period.
- 4) Capitalizing on the transformation of Repulse Bay into one of Hong Kong's most vibrant lifestyle destinations and the associated increase in visitor traffic, the Company recognizes that the revenue growth of food and beverage business is being primarily driven by the proliferation of cafés and restaurants. In addition to a bakery shop and a café, a new curry house commenced operations in January 2025, and a new burger spot, originally scheduled for late second quarter, is now expected to open in September 2025. As a result, revenue of 2025 and 2026 is projected to increase at least 70% and 20% respectively. For the years 2027 to 2029, the revenue growth rate is expected to normalize to below 5% per annum. With reference to gross profit achieved in 2023 and 2024, which is defined as revenue less food cost, the gross profit margin is projected to remain at approximately 75% throughout the projection period.
- 5) The operating costs of the florist and food and beverage business mainly comprise staff costs, rental charges and depreciation. These are projected based on anticipated change in staffing level, lease agreements and actual amount of fixed assets.
- 6) Capital expenditure of the Target Group mainly comprises decoration costs, equipment, and furniture and fixture for a new burger spot, which was originally scheduled to open in late second quarter, but is now expected to open in September 2025.

## **The discount rate and terminal growth rate**

A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of available alternative investments that are comparable in terms of risk and other investment characteristics.

When developing the discount rate to apply to the future free cash flow to equity, the discount rate is the Cost of Equity ("COE") representing the minimum rate of return required by equity investors to compensate for the risk of investing in a company. It reflects the

opportunity cost of capital for shareholders and is a critical component in valuation models like the DCF analysis. The most common method to estimate COE is the Capital Asset Pricing Model (“CAPM”):

$$\text{COE} = \text{Risk-Free Rate} + (\text{Beta} \times \text{Equity Risk Premium})$$

Risk-Free Rate:	Typically the yield on long-term government bonds.
Beta:	Measures the stock’s volatility relative to the market.
Equity Risk Premium:	Expected market return minus the risk-free rate.

The COE was developed using CAPM with reference to the required rates of return demanded by equity investors for similar projects. The CAPM states that an equity investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic.

Under the CAPM, the appropriate rate of return required by the equity investors is the sum of the risk-free return and the equity risk premium required by equity investors to compensate for the systematic risk assumed with adjustment for increments for risk differential of the assets being valued versus those of the comparative assets, which include risk adjustments for the Small Size Risk Premium (“SSRP”) and Company Specific Risk Premium (“CSRP”) for a particular business that are not captured by systematic market risks. SSRP and CSRP is typically added to COE derived from CAPM:

$$\text{Adjusted COE} = \text{Risk-Free Rate} + (\text{Beta} \times \text{Equity Risk Premium}) + \text{SSRP} + \text{CSRP}$$

## SSRP

SSRP is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of the company.

Numerous studies have examined U.S. equity returns and found that stocks of companies whose market capitalization is small (i.e. “**small-cap**” stocks) tend to earn greater returns, on average, than stocks of companies whose market capitalization is large (i.e. “**large-cap**” stocks), suggesting that small firms have a greater cost of equity capital. In fact, these studies show that depending on sample selection procedures, research period, and sorting methodology, the estimated monthly return difference between small-cap and large-cap stocks may range from approximately 0.4% to almost 2.5%.

Researchers have posited many explanations for the size effect, including (i) firm size proxies for differences in liquidity, or for other priced (yet unobservable) risk factors, or (ii) investor preferences or recognition depending on firm size.

A number of studies were conducted, which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company’s systematic risk derived from the CAPM model. According to the market capitalization of the Target Company, a small size premium of 8.6% is applicable.

## CSRP

CSRP is an additional return requirement imposed on investors due to unique risks associated with a particular business that are not captured by systematic market risks (e.g. industry beta). It accounts for factors like management quality, customer concentration, regulatory exposure, or operational inefficiencies. CSRP is typically added to the COE derived from CAPM. CSRP is subjective but often quantified using build-up method which apply benchmark premiums (e.g. 1 to 5%) based on size, liquidity, and qualitative risks. Adjustment of CSRP is critical especially when market-based models (e.g. CAPM) understate idiosyncratic risks. A Hong Kong food and beverage chain reliant on a few suppliers may warrant a 1% CSRP for supply chain fragility. A florist business with only one retail store might justify a 3% CSRP for governance risks.

Analysis suggested that a discount rate of 15.68% was appropriate for valuing the Target Company's Florist business and a discount rate of 14.12% was appropriate for valuing the Target Company's food and beverage business operation.

When developing the discount rate in this valuation using the CAPM, the following basis and key parameters are adopted:

<b><u>Key parameters</u></b>	<b><u>Basis</u></b>	<b><u>Value</u></b>
Risk Free Rate	The yield on Hong Kong 10-Year Government Bonds	3.10%
Equity Risk Premium	The equity risk premium of the Comparable Country is based on figures extracted from Aswath Damodaran, Stern School of Business, Q1 2025.	5.13%
Small Size Risk Premium	Small size risk premium is the return in excess of CAPM Cost of Equity. (Source: Valuation Handbook: International Guide to Cost of Capital – 2023 Summary Edition by Kroll, LLC).	8.60%
Company Specific Risk Premium	A Hong Kong food and beverage chain reliant on a few suppliers may warrant a 1% CSRP for supply chain fragility. A florist business with only one retail store might justify a 3% CSRP for governance risks.	1% for F&B Business and 3% for Florist Business of the Target

## Terminal Growth Rate

The rationale for applying a 2% perpetual growth rate in DCF valuations for Hong Kong's florist and food and beverage businesses is grounded in four key dimensions:

The 2% perpetual growth rate aligns with long-term macroeconomic fundamentals and industry-specific realities in Hong Kong. First, it approximates the Hong Kong GDP growth ceiling, as the IMF projects the city's potential GDP growth at 2.1% annually beyond 2025, reflecting aging demographics and mature markets (IMF Hong Kong Report 2024). Second, this rate matches the global risk premium for stable industries: Duff & Phelps' 2025 recommended range of 1.5–2.5% for developed Asian economies (Duff & Phelps Guide).

Third, this rate aligns with Hong Kong's long-term nominal GDP growth ceiling of 2.1% projected by the IMF, reflecting structural constraints like aging demographics and saturated consumer markets in mature industries. Fourth, sector-specific data from the Hong Kong Census and Statistics Department (2025) shows food and beverage revenue growth historically tracks inflation (1.8–2.2% p.a.), with florist businesses exhibiting even lower organic growth due to market fragmentation. For florist businesses, the 2% rate accounts for limited pricing power (flower retail margins average 15–20% in Hong Kong) and demand elasticity, while food and beverage firms face cost pressures (e.g., rent inflation at 1.5% p.a. per Rating and Valuation Department data). Quantitatively, a 2% rate ensures terminal value conservatism.

*Key Sources: IMF Hong Kong Report 2024 (imf.org)  
HK Census and Statistics Department (censtatd.gov.hk)  
HKEX Disclosure Rules (hkex.com.hk)  
HKIMR Working Paper No.14/2005 (hkma.gov.hk)  
IMF (2024) - Macroeconomic anchor  
Duff & Phelps (2025) - Cost of capital framework*

## The sensitivity analysis

The Independent Valuer have also prepared a sensitivity analysis of discount rates (florist business) to Valuation of 100% equity interest of the Target Company ranging from 14.68% to 16.68%. The sensitivity results are as follows:

### Florist Business

<u>Discount Rate (Florist)</u>	<u>Valuation of 100% equity Interest of Target Company (in HKD)</u>	<u>Sensitivity Estimates</u> (% Δ in Output / % Δ in Input)
14.68% (1% decrease)	6,343,040	- 2.15
15.68%	5,578,367	n/a
16.68% (1% increase)	4,919,305	- 1.85

The Independent Valuer are also at the same time prepared a sensitivity analysis of discount rates (food and beverage business) to Valuation of 100% equity interest of Target Company ranging from 13.12% to 15.12%. The sensitivity results are as follows:

### F&B Business

<u>Discount Rate (F&amp;B)</u>	<u>Valuation of 100% equity Interest of Target Company (in HKD)</u>	<u>Sensitivity Estimates</u> (% Δ in Output / % Δ in Input)
13.12% (1% decrease)	8,833,893	- 8.24
14.12%	5,578,367	n/a
15.12% (1% increase)	2,825,314	- 6.97

The Independent Valuer also prepared another sensitivity analysis of Terminal (perpetual) Growth Rate (another valuation parameter) to Valuation of 100% equity interest of Target Company ranging from 1.00% to 3.00%. The sensitivity results are as follows:

**Valuation Parameter**

<u>Terminal (perpetual) Growth Rate</u>	<u>Valuation of 100% equity Interest of Target Company (in HKD)</u>	<u>Sensitivity Estimates</u> (% Δ in Output / % Δ in Input)
1.00% (1% decrease)	3,168,260	0.86
2.00%	5,578,367	n/a
3.00% (1% increase)	8,412,085	1.02

The Independent Valuer concluded that the valuation of 100% equity interest of Target Company is most sensitive to the estimate of discount rate for food and beverage business and least sensitive to the estimate of Terminal Growth Rate.

By Order of the Board of  
**CCT FORTIS HOLDINGS LIMITED**  
**Mak Shiu Tong, Clement**  
*Executive Director*

Hong Kong, 7 August 2025

*As of the date of this announcement, the executive Directors are Mr. Mak Shiu Tong, Clement and Ms. Cheng Yuk Ching, Flora; and the independent non-executive Directors are Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan.*