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# 周大福創建有限公司 CTF Services Limited

*(incorporated in Bermuda with limited liability)*

**(stock code: 00659)**

## **DISCLOSEABLE TRANSACTION DISPOSAL OF ALL EQUITY INTERESTS IN HUNAN CTFS EXPRESSWAY CO., LTD.**

### **THE TRANSACTION**

The Board is pleased to announce that on 13 May 2026 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchasers and the Target Company, pursuant to which, (i) the Vendor conditionally agreed to sell and the Purchasers conditionally agreed to purchase 100% of the equity interests in the Target Company at a total consideration of approximately RMB1.61 billion, which approximates the Group's net cash outlay for the acquisition of equity interests in the Project; and (ii) the Target Company agreed to repay the Shareholder Loan within thirty (30) Business Days after the Completion Date.

The Group is expected to record a loss (after tax) in respect of the Transaction of approximately RMB80.0 million for the financial year ending 30 June 2026, subject to factors including but not limited to the completion of the Transaction and the final review by the Company's auditor.

The Target Company is principally engaged in the operation of the Changsha-Liuyang Expressway located in Hunan Province, which is a dual-carriageway expressway connecting Changsha and Liuyang in the PRC.

### **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from shareholders' approval requirement.

**As the completion of the Transaction is subject to the satisfaction and/or waiver (as applicable) of certain conditions precedent stated in the Equity Transfer Agreement, the Transaction may or may not proceed. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 13 May 2026 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchasers and the Target Company in relation to the Transaction, subject to the terms and conditions set out in the Equity Transfer Agreement.

## **THE EQUITY TRANSFER AGREEMENT**

### **Date**

13 May 2026

### **Parties**

- (1) The Vendor (as vendor)
- (2) Purchaser A (as purchaser of 60% equity interests)
- (3) Purchaser B (as purchaser of 40% equity interests)
- (4) Target Company

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Subject of the Transfer**

The transfer of 100% equity interests in the Target Company held by the Vendor, comprising:

- (1) 60% equity interests to be transferred to Purchaser A; and
- (2) 40% equity interests to be transferred to Purchaser B.

The existing bank borrowing of the Target Company shall remain outstanding and continue to be borne by the Target Company upon completion of the Disposal. As at the date of this announcement, the outstanding principal amount of such bank borrowing is approximately RMB2.11 billion.

### **Equity Consideration and the Payment Terms**

Pursuant to the Equity Transfer Agreement, the total consideration for the Disposal, being approximately RMB1.61 billion (“**Equity Consideration**”), which approximates the Group’s net cash outlay for the acquisition of the equity interests in the Project, shall be paid by the Purchasers to the Vendor in the following manner, comprising (i) an initial payment, (ii) a completion payment and (iii) a retention amount, as further described below:

## A. Initial Payment

An initial payment in the aggregate amount of RMB50 million (“**Initial Payment**”) shall be paid within ten (10) Business Days from the date of the Equity Transfer Agreement, of which Purchaser A shall pay RMB30 million and Purchaser B shall pay RMB20 million.

## B. Completion Payment

### *Amount*

The completion payment, being the balance of the Equity Consideration after deducting the Initial Payment and the Retention Amount (as defined below), of approximately RMB1.45 billion (“**Completion Payment**”) shall be paid by the Purchasers to the Vendor in the following manner.

### *Funding of Escrow Account*

Within ten (10) Business Days after the satisfaction of the relevant conditions precedent, the Purchasers shall deposit the Completion Payment into an escrow account (“**Escrow Account**”) managed by the relevant bank designated by the Vendor and the Purchasers in accordance with the terms of the Equity Transfer Agreement, of which Purchaser A shall contribute approximately RMB872 million and Purchaser B shall contribute approximately RMB581 million.

### *Release of the Completion Payment*

Within ten (10) Business Days after the Completion Date (as defined below), the Vendor and the Purchasers shall procure the transfer of the Completion Payment from the Escrow Account to the designated account of the Vendor in accordance with the Equity Transfer Agreement.

## C. Retention Amount

### *Amount, Purpose and Mechanism*

Certain land use and regulatory approvals for the purpose of perfecting the title and ownership in respect of the Project (as defined below) are yet to be obtained as at the date of this announcement and the timing and costs of completing the relevant procedures (the “**Procedures**”) remain uncertain. Such matters are historical in nature primarily arising from the acquisition of the Project (as defined below) through judicial sale in earlier years, as previously disclosed in the Company’s announcement dated 19 July 2019. To address the associated risks, part of the Equity Consideration has been retained pursuant to the Equity Transfer Agreement, and a settlement mechanism has been agreed between the Parties as set out below.

A specified portion of the Equity Consideration of approximately RMB109 million (the “**Retention Amount**”) shall be retained by the Purchasers to cover costs and expenses that may be incurred in connection with the Procedures relating to the Project (as defined below).

The Retention Amount represents the Vendor and the Purchasers' estimate of the potential costs and expenses in relation to the Procedures and shall be applied toward payment of costs actually incurred for such purposes. Any unused balance of the Retention Amount shall be refunded to the Vendor, and any shortfall shall be borne by the Vendor in accordance with the terms of the Equity Transfer Agreement.

The Procedures shall be primarily handled by the Vendor and its related parties. If the Procedures are not fully completed within 42 months from the date of completion of industrial and commercial registration regarding the equity transfer (the "**Registration**"), the Purchasers may, within 12 months thereafter, elect to (i) take over the handling of the Procedures, with any unused balance of the Retention Amount after the completion of the Procedures to be refunded to the Vendor, and any shortfall amount of up to RMB50 million to be borne by the Vendor; or (ii) receive all remaining balance of the Retention Amount, whereupon the Vendor's obligations in respect thereof shall terminate; or (iii) allow the Vendor and its related parties to continue to handle the Procedures. Unless the Vendor and the Purchasers agree otherwise, if the Purchasers fail to make an election, option (iii) shall be deemed to have been elected.

#### *Verification of Actual Costs*

Upon completion of the Procedures, the actual costs incurred for the Procedures shall be verified and confirmed through an agreed audit mechanism in accordance with the Equity Transfer Agreement, including appointment of an accounting firm jointly by the Vendor and the Purchasers for audit purposes. Any unused balance of the Retention Amount shall be refunded to the Vendor, and the Vendor shall also bear the shortfall (if any) as described above.

#### **Key Conditions Precedent**

The Vendor and the Purchasers have agreed to procure the satisfaction of the following conditions precedent (and use reasonable endeavours to procure their satisfaction within sixty (60) days after the date of the Equity Transfer Agreement):

- a) The Purchasers having paid the Initial Payment in accordance with the terms of the Equity Transfer Agreement;
- b) Hunan Provincial Department of Transport having issued written approval in respect of the transfer of the equity interests in the Target Company;
- c) The consent of the existing financing bank(s) of the Target Company having been obtained in relation to the equity transfer; and
- d) The agreed pre-handover procedures having been completed, including the provision by the Vendor of the documents and items specified in the agreed pre-handover list, and confirmation by the Purchasers of completion of the relevant pre-handover inspection and verification.

## **Completion**

Completion of the Disposal shall take place on the date when the Registration in relation to the equity transfer are completed, with a new business licence issued to the Target Company and a handover confirmation letter executed by all the Parties (“**Completion Date**”).

The Vendor and the Purchasers shall procure the Completion Date to take place within 120 days after the date of the Equity Transfer Agreement.

## **Repayment of Shareholder Loan**

The Target Company shall repay all outstanding amount of the Shareholder Loan to the Vendor within thirty (30) Business Days after the Completion Date. In the event that the funds of the Target Company are insufficient to repay the Shareholder Loan, the Purchasers shall inject additional funds into the Target Company, which shall then repay the Shareholder Loan to the Vendor in accordance with the terms of the Equity Transfer Agreement. As at the date of this announcement, the outstanding amount of the Shareholder Loan is approximately RMB212 million.

## **BASIS OF EQUITY CONSIDERATION FOR THE DISPOSAL**

The Equity Consideration was determined after arm’s length negotiations between the Vendor and the Purchasers on normal commercial terms, taking into account factors including but not limited to (i) the appraised value of 100% equity interests in the Target Company as at 28 February 2026, based on a valuation conducted by an independent valuer engaged by the Company as elaborated below; and (ii) the reasons as set out in the section headed “**Reasons for and Benefits of the Transaction**” in this announcement.

### **Appraised value by independent valuer**

The valuation of the total shareholders’ equity of the Target Company by the independent Valuer constitutes the basis for negotiating the Equity Consideration. When preparing the valuation report, the independent Valuer used the adjusted present value (“**APV**”) method (a kind of the discounted cash flows (DCF) method) under the income approach. A summary of the valuation of the Target Company (including, among others, valuation methods, key assumptions, inputs, and valuation results) is set out in Appendix I to this announcement.

As income approach is used as the valuation method in the valuation report to reach the conclusion on the total equity value of the Target Company, the valuation, conducted using the income approach, is considered a profit forecast under Rule 14.61 of the Listing Rules. Therefore, the Company is required to disclose the valuation details in accordance with Rule 14.60A of the Listing Rules.

Details of the principal assumptions (including commercial assumptions) on which the profit forecast is based, as extracted from the valuation report, are set out in Appendix I to this announcement.

The Company’s auditor has confirmed that it has reviewed the arithmetical accuracy of the calculation of the discounted future estimated cash flows on which the valuation report is based and has issued a report (the “**Auditor Report**”) in this regard. Please refer to the Auditor Report set out in Appendix II to this announcement.

The Financial Adviser has reviewed the valuation report and confirmed that it is satisfied that the profit forecast, on which the valuation report is based, has been made by the Directors after due and careful enquiry. Please refer to the letter from the Financial Adviser (the “**Letter from the Financial Adviser**”) set out in Appendix III to this announcement.

## **EXPERTS AND CONSENTS**

The qualifications of the experts who have given statements in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>	<b>Date of opinion</b>
Kroll (HK) Limited (“ <b>Kroll</b> ”)	Independent valuer	12 May 2026
Messis Capital Limited (“ <b>Messis</b> ”)	Corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)	13 May 2026
PricewaterhouseCoopers (“ <b>PwC</b> ”)	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and a registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)	13 May 2026

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter, report, opinion and/or the references to its name in the form and context in which they appear.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, Kroll, Messis and PwC are third parties independent of the Group and are not connected persons of the Group. As at the date of this announcement, Kroll, Messis and PwC do not directly or indirectly hold any equity interests in any member of the Group, nor do they have any right (whether legally enforceable or not) to subscribe for or nominate others to subscribe for securities in any member of the Group.

As at the date of this announcement, Kroll, Messis and PwC do not have any direct or indirect interests in any assets which have been acquired or disposed of or leased by, or are proposed to be acquired or disposed of or leased by, any member of the Group since 30 June 2025 (the date to which the Group’s latest published annual results were made up).

## **FINANCIAL IMPACT OF THE TRANSACTION AND USE OF PROCEEDS FROM THE TRANSACTION**

Upon completion of the Disposal, the Company will no longer hold any equity interests in the Target Company, and the Target Company will cease to be a subsidiary of the Group. Accordingly, the financial results, assets and liabilities of the Target Company will no longer be consolidated into the financial statements of the Group.

After taking into account the difference between the Equity Consideration and the estimated book value of the Target Company in the unaudited consolidated financial statements of the Group as of 30 April 2026, and deducting the estimated costs and expenses for the Transaction, the Group is expected to record a loss (after tax) in respect of the Transaction of approximately RMB80.0 million for the financial year ending 30 June 2026. The actual financial effects of the Transaction is subject to the completion of the Transaction, the final review by the Company's auditor, and the actual occurrence of any other costs and expenses in relation to the Transaction. As such, the actual financial effects may differ from the estimate above.

The net proceeds from the Transaction are expected to be used for (i) redeployment into investments that align with the Group's strategic priorities and that offer long-term growth potential with more attractive risk-adjusted returns and (ii) other general corporate purposes of the Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group has been closely monitoring the operating environment of the toll road sector, which continues to face both structural and cyclical challenges. While the macroeconomic outlook in the Chinese Mainland is expected to improve progressively, toll road assets are experiencing uneven recovery in different region, changes in traffic distribution driven by volatility in import and export activities, ongoing expansion of road networks, and increased operational and regulatory complexity. Collectively, these factors have contributed to greater earnings volatility and more uncertain growth prospects across the sector.

Among the toll road assets owned by the Group, the Project has provided minimal cash flows and profit contributions to the Group. In view of the aforesaid factors and the historical financial performance of the Project, the Transaction represents a proactive measure consistent with the Group's ongoing portfolio optimization strategy. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Group, and its financial results, assets and liabilities will no longer be consolidated into the Group's financial statements. This is expected to enhance the Group's overall balance sheet position and provide the Group with greater financial flexibility in pursuing its growth strategy.

The proceeds from the Disposal are intended to be redeployed into investments that align with the Group's strategic priorities and that offer long-term growth potential with more attractive risk-adjusted returns, and used for other general corporate purposes of the Group. This will reinforce the Group's focus on sustainable value creation for its shareholders.

In view of the above, the Directors are of the opinion that the Transaction is in the interests of the Company and the shareholders as a whole, and that the terms and conditions of the Equity Transfer Agreement and the Transaction are fair and reasonable, on normal commercial terms, and in the interests of the Company and the shareholders as a whole.

## INFORMATION OF THE PARTIES

### The Group and the Vendor

The Company is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Group invests and operates a wide range of businesses predominantly in Hong Kong and the Chinese Mainland. Its businesses include toll roads, financial services, logistics, construction and facilities management.

The Vendor is a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

### The Purchasers

Purchaser A is a limited liability company incorporated in the PRC. To the best knowledge, information and belief of the Board, Purchaser A is principally engaged in business including project investment, operation and management of urban infrastructure. As of the date of this announcement, its ultimate beneficial owner is the Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會) (“**Shanghai SASAC**”).

Purchaser B is a limited liability company incorporated in the PRC. To the best knowledge, information and belief of the Board, Purchaser B is principally engaged in business including investment, planning and design, construction and operation of urban infrastructure and smart city management. As of the date of this announcement, its ultimate beneficial owner is Shanghai SASAC.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, Purchaser A, Purchaser B and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability (wholly foreign-owned enterprise). As at the date of this announcement, the Target Company is wholly owned by the Vendor. Upon completion of the Disposal, the Target Company will be owned as to 60% by Purchaser A and 40% by Purchaser B.

The Target Company is principally engaged in operation of toll road, including but not limited to expressway toll collection services, expressway operation management, road operation, administration and maintenance, and investments in transportation, infrastructure and environmental pollution control projects. It has been operating the Changsha-Liuyang Expressway project under a concession agreement with the relevant PRC Government Agency in Hunan Province (“**Project**”). The Project is located in Hunan Province and comprises a dual-carriageway expressway with a total route length of approximately 72.4 kilometres, connecting Changsha and Liuyang.

## Historical Financial Information of the Target Company

Set out below is the key financial information of the Target Company for the two years ended 30 June 2025, which is based on the unaudited financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>30 June 2025</b> <b>(unaudited)</b> <i>RMB' million</i>	<b>30 June 2024</b> <b>(unaudited)</b> <i>RMB' million</i>
Net (loss)/profit before taxation	(204.9)	57.1
Net (loss)/profit after taxation	(225.8)	42.8

The unaudited consolidated net asset value of the Target Company as at 31 December 2025 was approximately RMB1.54 billion.

### APPROVAL BY THE BOARD

No Directors are regarded as having a material interest in the Transaction and hence no Directors are required under the Listing Rules to abstain from voting on the resolutions approving the Transaction at the Board meeting.

### LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from shareholders' approval requirement.

**As the completion of the Transaction is subject to the satisfaction and/or waiver (as applicable) of certain conditions precedent stated in the Equity Transfer Agreement, the Transaction may or may not proceed. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings as set out below:

“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or statutory holidays) on which banks in the PRC are open for business to the public
“Company”	CTF Services Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00659)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of all equity interests in the Target Company held by the Vendor to the Purchasers in accordance with the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 13 May 2026 entered into between the Vendor, the Purchasers and the Target Company in relation to, among other things, the Disposal
“Financial Adviser” or “Messis”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Government Agency”	any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Parties”	the Vendor, the Purchasers and the Target Company

“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	collectively, Purchaser A and Purchaser B
“Purchaser A”	上海基礎設施建設發展(集團)有限公司 (Shanghai Infrastructure Construction & Development (Group) Co., Ltd.*), a company incorporated in the PRC
“Purchaser B”	上海城建(廣東)建設發展有限公司 (Shanghai Urban Construction (Guangdong) Construction Development Co., Ltd.*), a company incorporated in the PRC
“Repayment of the Shareholder Loan”	the repayment of the Shareholder Loan in accordance with the Equity Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder Loan”	all outstanding shareholder loan(s) and interest owed by the Target Company to the Vendor following completion of the Disposal in accordance with the Equity Transfer Agreement. As at the date of this announcement, the outstanding amount of Shareholder Loan is approximately RMB212 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hunan CTFS Expressway Co., Ltd. 湖南周大福創建公路有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Transaction”	the transaction(s) contemplated under the Equity Transfer Agreement
“Valuer” or “Kroll”	Kroll (HK) Limited

“Vendor” 周大福創建投資有限公司 (CTFS Investment Company Limited\*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“%” per cent

\* For identification purposes only

By order of the Board  
**Dr. Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 13 May 2026

*As at the date of this announcement, (a) the executive Directors are Dr. Cheng Kar Shun, Henry, Mr. Cheng Chi Ming, Brian, Mr. Ho Gilbert Chi Hang, Mr. Lam Jim and Mr. Cheng Chi Leong, Christopher; (b) the non-executive Directors are Mr. William Junior Guilherme Doo (alternate director to Mr. William Junior Guilherme Doo: Mr. Lam Wai Hon, Patrick) and Mr. Tsang On Yip, Patrick; and (c) the independent non-executive Directors are Mr. Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Wai Chi Grace Fung, Mr. Wong Kwai Huen, Albert, Professor Chan Ka Keung, Ceajer and Ms. Ng Yuen Ting, Yolanda.*

## **APPENDIX I SUMMARY OF THE VALUATION REPORT**

Kroll (HK) Limited, an independent valuer, was engaged by the Company to conduct a valuation of the Target Company as at 28 February 2026 (“**Valuation Date**”) and issue the valuation report.

### **Valuation Methodology**

In preparing the valuation, the Valuer has considered three generally accepted approaches, namely the market approach, the income approach and the cost approach.

- Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.
- Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.
- Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Market approach and cost approach have not been adopted for this valuation. According to the Valuer, the cost approach is generally not considered applicable to the valuation of a revenue generating toll road, as it does not capture future earning potential of the business. Thus, it is not utilized in the valuation. In addition, guideline companies under the market approach are all with going concern and hence cannot be directly considered as the principal method to value a company with just a single toll road.

Valuer has adopted the income approach as primary approach to determine the valuation of the Target Company considering it is a commonly used valuation methodology in valuation of toll-road companies which reflects project specific characteristics, including stage of development, concession period and geographic location, and long-term economic benefits of the toll road.

### **Model under Income Approach**

In determining equity value of the Target Company, as the Target Company is set up for particular expressway project, its capital structure will change due to debt repayment or additional borrowing, we relied on the Adjusted Present Value (“**APV**”) method of the Income Approach to exclude the distortion resulting from the change in capital structure over the concession period.

APV is a modified form of net present value (NPV) that takes into account the present value of leverage effects separately. In our analysis, the APV method values the Target Company's assets by discounting projected free cash flows ("FCF") at a rate of return assuming all-equity financing as fundamental value ("Fundamental Value"). The Fundamental Value then adds the present value of tax shield effect, to arrive at the enterprise value of the Target Company. Cash flows to calculate unlevered firm value were discounted with cost of asset and levered beta of the comparable companies was calculated based on 100% proportion of equity. The interest tax shield for each projection year was calculated based on the expected repayment schedule of the outstanding loans provided by the Management and discounted with pre-tax cost of debt of the outstanding loans.

The term FCF can be represented by the following equation:

$$FCF = NI + DEPR + INT - CAPEX - NWC$$

Where:

*FCF* = projected free cash flow available to equity and debt holders

*NI* = net income after tax

*DEPR* = depreciation and amortization expenses

*INT* = interest expense after tax

*CAPEX* = capital expenditures

*NWC* = changes in net working capital (current assets net of current liabilities)

### **Key Assumptions and Inputs**

Set out below are the principal assumptions upon which the future estimated cash flow and valuation was based:

a) General assumptions

1. No major changes are expected in political, legal, and economic conditions in the PRC;
2. Regulatory environment and market conditions for expressway industry will be developing according to prevailing market expectations;
3. There will be no major changes in the current taxation law applicable to the Target Company;
4. The Target Company will not be constrained by the availability of finance;

5. The future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
6. The Target Company will retain competent management, key personnel, and technical staff to support their ongoing operations.

b) Specific assumptions and inputs

1. The toll income was projected primarily based on the forecasted traffic volume, with reference to the study performed by an independent traffic consultant. According to the study, the increase in toll income is mainly driven by growth in daily traffic volume, while weighted-average toll fee per vehicle would remain the same. Daily traffic volume growth rate would peak at 13.0% for the financial year ending 30 June 2030. Thereafter, the growth rate would gradually reduce to 3.3%. The projected toll income growth rate is summarised as follows:

<b>Financial Year</b>	<b>Toll Income Growth Rate</b>
2026 – 2027	1% – 5%
2028 – 2033	7% – 13%
2034 – 2044	3%

2. Operating expenses include business taxes and surchargers, operating and daily maintenance expenses, large and medium maintenance expenses, depreciation, and amortization. Between the financial years ending 30 June 2026 and 2043, EBIT margins are forecasted to range from 38.1% to 51.4%, with average of 45.3%.
3. The rate at which the annual net cash flows discounted to present value under the APV method is based on the unlevered cost of asset, assuming 100% equity financing.

The cost of asset of 8.50% for the valuation was developed through the application of the Capital Asset Pricing Model (“CAPM”), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (“Beta”) times equity market premium in general. The guideline companies identified were used in estimating the beta for the Target Company and, in turn, the cost of asset.

Based on the study of Kroll, the actual return of a company normally exceeds the return as estimated by CAPM. In general, the smaller the size of a company, the higher the actual return would be. Small size risk premium was added to cost of asset based on the empirical study on companies with similar size to the Target Company. In addition, CAPM only captures

systematic risks, which cannot be diversified through holding a portfolio of investments. In valuing a particular business, company-specific risk premium should be considered. Taking into consideration of the Target Company's historical development and forecasted financials, a risk premium was added. Following is the derivation of cost of asset:

$$K_e = R_f + \beta (ERP) + \alpha$$

Where:

$K_e$  = Required rate of return for equity

$R_f$  = Risk-free rate of return = 2.18% The  $R_f$  is based on the yield on Chinese government's bond with maturity equivalent to remaining life of the concession rights as at the Valuation Date

$\beta$  = Unlevered Beta = 0.35 Unlevered Beta is a measure of the relationship between industry risk and the aggregate market in all-equity scenario. It is based on the unlevered Betas of the selected comparable companies

$ERP$  = Equity risk premium = 5.56% The ERP is the expected return of the market ( $R_m$ ) in excess of the risk-free rate ( $R_f$ ), or, is based on US equity risk premium plus the market systematic risk in the PRC

$\alpha$  = Alpha = 4.50% CAPM only capture systematic risks, which cannot be diversified through holding a portfolio of investments. In valuing a particular business, small company size premium and company-specific risk premium should be considered. In this appraisal, we applied a total premium of 4.5% to reflect risks of the Target Company

4. In deriving the beta for the CAPM Model, ten companies principally engaged in toll road operation in the PRC and listed on the stock exchanges in Hong Kong, Shanghai or Shenzhen were selected as comparable companies.

## **Valuation Result**

Based on the APV method, the enterprise value of the Target Company on marketable basis was concluded to be approximately RMB3.66 billion. The following adjustments were applied to arrive at the appraised value of entire equity interest in the Target Company.

- Deduction of bank loans and shareholder loans with book values of approximately RMB2.16 billion and RMB210.0 million, respectively, as at the Valuation Date;
- Application of a discount for lack of marketability of 20.0%; and
- Addition of cash with book value of approximately RMB402.1 million as at the Valuation Date.

After considering the above adjustments, the appraised value of entire equity interest in the Target Company as at 28 February 2026 was approximately RMB1.43 billion.

## **Sensitivity Analysis**

The Valuer has tested sensitivity of entire equity value in the Target Company to changes of discount rate (cost of assets). The appraised value will increase by approximately RMB113 million when the discount rate decreases by 50 basis points, while the appraised value will decrease by approximately RMB107 million when the discount rate increases by 50 basis points.

## APPENDIX II AUDITOR REPORT

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this announcement.*



### **INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF HUNAN CTFS EXPRESSWAY CO., LTD.**

#### **TO THE BOARD OF DIRECTORS OF CTF SERVICES LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) as set out in the report dated 12 May 2026 prepared by Kroll (HK) Limited in respect of the appraisal of the fair value of 100% equity interests in Hunan CTFS Expressway Co., Ltd. (the “**Disposal Company**”) is based. The summary of the Valuation is set out in the announcement of CTF Services Limited (the “**Company**”) dated 13 May 2026 (the “**Announcement**”) in connection with the disposal of 100% equity interests in Hunan CTFS Expressway Co., Ltd. by CTFS Investment Company Limited, an indirect wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set on pages 13 to 17 of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountant's Responsibilities**

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages 13 to 17 of the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Disposal Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 13 to 17 of the Announcement.

PricewaterhouseCoopers  
Certified Public Accountants  
Hong Kong, 13 May 2026

## APPENDIX III LETTER FROM THE FINANCIAL ADVISER

*The following is the text of a report received from Messis Capital Limited for the purpose of incorporation in this announcement.*

### **MESSIS** 大有融資

#### **CTF Services Limited**

21/F, NCB Innovation Centre  
888 Lai Chi Kok Road  
Cheung Sha Wan  
Kowloon, Hong Kong

Attn.: The Board of Directors

13 May 2026

Dear Sirs

We refer to the announcement of CTF Services Limited (the “**Company**”) dated 13 May 2026 (the “**Announcement**”), in connection with discloseable transaction regarding disposal of equity interests in a subsidiary (the “**Disposal**”). Unless otherwise specified, terms used in this letter shall have the same meanings as those defined in the Announcement.

We refer to the Valuation Report dated 12 May 2026 prepared by the Valuer in respect of the valuation (the “**Valuation**”) of 100% of equity interests of the Target Company as at 28 February 2026. We understand that the Valuer has adopted discounted cash flow method under income approach in deriving the Valuation which constitutes a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules and this letter is issued in compliance with the requirement under Rule 14.60A(3) of the Listing Rules.

We have reviewed the Profit Forecast upon which the Valuation has been made. We have made enquiries with the Directors, the management of the Company and the Valuer regarding the bases and assumptions upon which the Profit Forecast has been made. We have also reviewed the report dated 13 May 2026 addressed to the Directors of the Company from PricewaterhouseCoopers regarding the arithmetical accuracy of the calculations of the Profit Forecast as set forth in Appendix II to the Announcement.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer, for which the Valuer and the Company are responsible, we are satisfied that the Profit Forecast disclosed in the Announcement have been made by the Directors after due and careful enquiry.

The Directors are solely responsible for the Profit Forecast, including the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.60A(3) of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the Valuation. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Announcement were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truthfulness or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation.

Yours faithfully  
For and on behalf of  
**Messis Capital Limited**  
**Thomas Lai**  
*Chief Executive Officer*