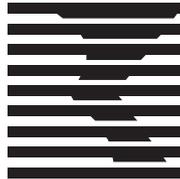

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Road King Infrastructure Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

VERY SUBSTANTIAL DISPOSAL - PROPOSED DISPOSAL OF SALE SHARES AND NOTICE OF SPECIAL GENERAL MEETING

Sole Financial Adviser to the Company



UBS AG Hong Kong Branch

A notice convening the special general meeting of Road King Infrastructure Limited to be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 20 December 2023 at 10:00 a.m. is set out on pages SGM-1 and SGM-2 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

PRECAUTIONARY MEASURES AT THE SPECIAL GENERAL MEETING

To safeguard the health and well-being of the Shareholders, the following precautionary measures will be implemented at the SGM:

- body temperature check
- additional precautionary measures in accordance with the social distancing restrictions which may be announced by the Government of Hong Kong
- **no souvenirs, drinks or refreshment will be served**

Any Shareholder who (i) refuses to co-operate with the precautionary measures; (ii) has a body temperature over 37.0 degrees Celsius; and/or (iii) has any flu-like symptoms will not be admitted to the venue.

4 December 2023

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Announcement”	means the announcement of the Company dated 17 November 2023 in relation to the Disposal;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Baojin Expressway”	means the Provincial Expressway S3700 Tianjin-Xiongan Expressway (formerly known as the National Expressway G18 Baoding-Tianjin Expressway) situated in Hebei Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this circular;
“Baojin Expressway JV”	means collectively, the joint venture companies operating their respective section of the Baojin Expressway;
“Board”	means the board of Directors;
“BVI”	means the British Virgin Islands;
“Changyi Expressway”	means the National Expressway G5513 Changsha-Yiyang Expressway situated in Hunan Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this circular;
“Changyi Expressway JV”	means collectively, the joint venture companies operating their respective section of the Changyi Expressway;
“Company”	means Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1098);
“Completion”	means completion of the Disposal as contemplated under the SPA;
“Completion Date”	means the date of completion of the Disposal;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deloitte” or “Reporting Accountants”	means Deloitte Touche Tohmatsu, the reporting accountants and auditor of the Company;
“Director(s)”	means the directors of the Company;
“Disposal”	means the proposed transfer of the Sale Shares as contemplated under the SPA;

DEFINITIONS

“Expressway(s)”	means Baojin Expressway, Changyi Expressway, Machao Expressway and Longcheng Expressway;
“Expressway JV(s)”	means Baojin Expressway JV, Changyi Expressway JV, Machao Expressway JV and Longcheng Expressway JV;
“Financial Adviser” or “UBS”	means UBS AG Hong Kong Branch, a registered institution under the SFO which is registered to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Company in respect of the Disposal. UBS AG is incorporated in Switzerland with limited liability;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	means third parties independent of the Company and its connected persons (as defined under the Listing Rules);
“km”	means kilometre;
“Latest Practicable Date”	means 30 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 31 March 2024 or such later date as the Parties may agree in writing;
“Longcheng Expressway”	means the Provincial Expressway S2002 Yuci Longbai Village-Chengzhao, Qixian Expressway situated in Shanxi Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this circular;
“Longcheng Expressway JV”	means the joint venture company operating the Longcheng Expressway;

DEFINITIONS

“Machao Expressway”	means the National Expressway G4221 Ma’anshan-Chaohu Expressway situated in Anhui Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this circular;
“Machao Expressway JV”	means the joint venture company operating the Machao Expressway;
“Parties”	means the parties to the SPA, being the Seller and the Purchaser;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	means the People’s Republic of China, which for the purpose of this circular does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	means Cornerstone Holdings Limited (佳選控股有限公司), a company incorporated in Hong Kong with limited liability;
“Remaining Group”	means the Group (excluding the Target Group);
“RHL”	means RHL Appraisal Limited, an independent professional valuer appointed by the Company;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Sale Shares”	means all the shares in issue in the Target Company held by the Seller;
“Seller”	means Road King Expressway International Holdings Limited (路勁高速公路國際控股有限公司), a company incorporated in Bermuda with limited liability and an indirect subsidiary owned as to 75% by the Company;
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	means a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder;
“Shares”	means ordinary shares of the Company;
“Shareholders”	means holders of the Shares;
“SPA”	means the conditional sale and purchase agreement dated 17 November 2023 entered into between the Seller and the Purchaser in relation to the Disposal;

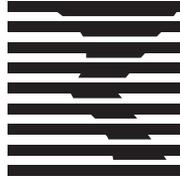
DEFINITIONS

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Tangjin Expressway”	means National Expressway G25 Tangshan-Tianjin Expressway situated in Hebei Province;
“Target Company”	means Road King (China) Infrastructure Limited, a company incorporated under the laws of the BVI with limited liability, which is wholly owned by the Seller;
“Target Group”	means the Target Company and its subsidiaries;
“Valuation Report”	means the valuation report dated 17 November 2023 prepared by RHL to determine the fair value of the Sale Shares as at 31 August 2023, adopting the income approach, as set out in Appendix V to this circular; and
“%”	means per cent.

Notes:

1. For the purpose of this circular and for illustration purpose only, unless otherwise specified, RMB is converted into HK\$ at the rate of HK\$1:RMB0.91988 which is the prevailing rate as at the date of the SPA from a public source. No representation is made that any amounts in RMB and/or HK\$ has been or could be converted at the above rates or at any other rates.
2. Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

LETTER FROM THE BOARD



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

Executive Directors:

Zen Wei Peu, Derek (*Chairman*)
Ko Yuk Bing (*Deputy Chairman*)
Fong Shiu Leung, Keter (*Chief Executive Officer*)
Ng Fun Hung, Thomas (*Chief Financial Officer*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Cai Xun
Xu Enli

Principal place of business:

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Independent Non-executive Directors:

Lau Sai Yung
Wong Wai Ho
Hui Grace Suk Han
Cheung Hon Kit

4 December 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL PROPOSED DISPOSAL OF SALE SHARES

INTRODUCTION

We refer to the Announcement in relation to, among others, the Disposal.

As stated in the Announcement, the Seller (an indirect subsidiary owned as to 75% by the Company) entered into the SPA with the Purchaser on 17 November 2023, pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. In essence, through effecting the Disposal, the Group is divesting its expressway portfolio in the PRC to realise the value of its investment. The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The purposes of this circular are to (i) provide you with information on the Disposal; (ii) provide you with further information to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the SGM relating to the SPA and the Disposal contemplated thereunder; (iii) provide you with other information as required under the Listing Rules; and (iv) give you notice of the SGM.

THE SPA

The principal terms of the SPA are as follows:

Date

17 November 2023

Parties

Seller : Road King Expressway International Holdings Limited (路勁高速公路國際控股有限公司), an indirect subsidiary owned as to 75% by the Company. The remaining 25% shareholding interest in the Seller is held by Asia Belt and Road Expressway Company Limited, which in turn is ultimately owned by CVC Asia Fund IV.

Purchaser : Cornerstone Holdings Limited (佳選控股有限公司), a company incorporated in Hong Kong with limited liability. Based on the information provided by the Purchaser, the Purchaser is an investment holding company wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 001965.SZ), which is principally engaged in the investment in infrastructure businesses of toll roads.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to the SPA, the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares. The Sale Shares represent all the shares in issue of the Target Company.

LETTER FROM THE BOARD

Consideration and payment terms

The consideration for the Disposal is RMB4,411.8 million (equivalent to approximately HK\$4,796.1 million) (the “**Preliminary Consideration**”), subject to downward adjustments for (a) any distributions by the Expressway JVs that is received by the Remaining Group after 30 June 2023 (being the commercially agreed cut-off date for the allocation of distributions by the Expressway JVs between the Seller and the Purchaser); and (b) any cash outflow from the Target Group or the Expressway JVs to the Remaining Group outside the ordinary course of business or in excess of RMB500,000 for non-budgeted new indebtedness or capital expenditure or otherwise more than 10% in excess of budgeted amounts, on a dollar for dollar basis (or, for cash outflows from Expressway JVs, pro-rated by reference to the Seller’s economic interest in that Expressway JV) from or after 1 August 2023 (being the day following the financial due diligence reference date adopted by the Purchaser) to the Completion Date, in each case without the consent of the Purchaser, based on post completion accounts. To the best of the Directors’ knowledge, information and belief, as at the Latest Practicable Date, no downward adjustments are expected to be made to the Preliminary Consideration.

The consideration for the Disposal will be settled by the Purchaser in the following manner:

- (a) 90% of the Preliminary Consideration shall be paid on the Completion Date; and
- (b) the remainder of the 10% of the Preliminary Consideration (the “**Remainder Consideration**”) shall be paid within 10 business days following the determination of adjustments by reference to completion audit procedures in accordance with the terms of the SPA.

Basis of the consideration

The consideration for the Disposal was determined after arm’s length negotiations between the Seller and the Purchaser after taking into account (a) the historical financial performance and position of the expressway business operated by the Target Group and the Expressway JVs, further details of which are set out in the section headed “Financial Information of the Target Company and the Expressway JVs” below; and (b) the appraised fair value of the Sale Shares as at 31 August 2023, being the latest practicable reference date for determining the fair market value of the Sale Shares for the purposes of negotiating the Preliminary Consideration, by RHL (based on future operation projections (including revenue based on traffic flow) after discounts for present value, by reference to other PRC toll road companies and lack of marketability as the Sale Shares are not publicly traded) amounting to approximately RMB4,402.0 million (equivalent to approximately HK\$4,785.4 million) as stated in the Valuation Report.

The appraised fair value of the Sale Shares as at 31 August 2023 is approximately RMB4,402.0 million (equivalent to approximately HK\$4,785.4 million) as per the Valuation Report, which was conducted by RHL using the income approach by applying the discounted cash flow method. The discounted cash flow method is the most commonly used method for valuing interests in operating toll roads which typically operates under long concessions, as this method focuses on the future economic benefits generated by the income producing capability of toll roads and is able to reasonably take into account the future cash flow of the Target Group with reference to the economy and industry outlook,

LETTER FROM THE BOARD

historical financial and operation results. As RHL adopted the income approach which involves the use of discounted cash flow method in arriving at the appraised fair value of the Sale Shares, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and this circular complies with the requirements under Rule 14.71 of the Listing Rules in relation to profit forecast.

The principal assumptions of the valuation of the Sale Shares are summarised as follows:

- (a) there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Group;
- (b) the future financial projection (including revenue) of the Target Group and other information (such as profit sharing entitlement of the Target Group, based on daily traffic volume and daily average from the traffic and toll revenue forecasting study in respect of the Expressways, excess cash available after interest expense, debt repayment and cash distribution of previous years, general and administrative expenses) provided by the management and other professional consultants of the Company are accurate and complete;
- (c) the Target Company will not incur capital expenditure and there is no net working capital;
- (d) the availability of finance will not materially constrain the forecasted growth of the Target Group; and
- (e) the Target Company will be able to procure and retain competent key personnel and operating staff.

In determining the present value of the Target Company, RHL has confirmed to the Company that they (i) have taken into account the forecast data in the traffic study reports set out in Appendices VIA to VID to this circular and compared the same against the historical average daily traffic and average daily revenue provided by the Group; (ii) adopted a 3% growth rate for expenses in forecast as advised by the management of the Company who used as reference the 20 years (2003-2022) average inflation rate in China of about 2.5% based on CPI data from the world bank to smooth out the impact from year-to-year economic cycles; (iii) adopted a 1% company specific risk for uncertainty of realisation of future cash flow on the basis of low uncertainty due to the operating track record of the Expressway JVs and the forecasted traffic volume and toll revenue are supported by the traffic study reports; (iv) adopted 6.07% equity risk premium of China based on the Country and Equity Risk Premium dated 1 July 2023 by Aswath Damodaran; (v) selected comparable companies publicly listed for more than three years as three years provide sufficient data points in estimating the beta value of each of the comparable companies; (vi) calculated the cash distribution from the Expressway JVs based on the excess cash available after taking into account operating and capital expenditure requirements, interest expense, debt repayment and cash distribution of previous years and used the applicable profit sharing ratio to determine projected revenue of the Target Company; (vii) determined the free cash flow (“FCF”) of the Target Company after adjusting the revenue mainly for relevant expenses on the basis that the Company’s management has confirmed that the Target Company as an investment holding company does not have any projected capital expenditure or net working capital. RHL has

LETTER FROM THE BOARD

further confirmed that the equity value of Target Company was determined by adjusting the enterprise value (being the sum of discounted FCF each year) for non-operating assets and liabilities and discounting the result by lack of marketability, as stated in the Valuation Report. For further information on the valuation of the Sale Shares, please refer to the Valuation Report.

The Company's management has considered the Valuation Report and the traffic study reports that formed a basis of such valuation, including the underlying work as well as the assurance report issued by Deloitte in relation to the calculations of the discounted future estimated cash flows in connection with the Valuation Report as set out in Appendix VIII to this circular and the letter from UBS in relation to the profit forecast included in the Valuation Report as set out in Appendix VII to this circular. The Directors are satisfied that the bases and methodology adopted are consistent with market standards, and in house valuation assessment when considering new toll road investments and the traffic data that the Group collects for each of its toll road projects for routine in house analysis, a practice that the Group has adopted for over 25 years as toll road project investor.

Conditions precedent

Completion is subject to and dependent upon the fulfilment (or waiver) of a number of conditions precedent (the "**Condition(s)**") as set out in the SPA, and summarised as follows:

- (a) the Company having obtained Shareholders' approval in relation to the Disposal pursuant to the Listing Rules;
- (b) all necessary third-party approvals, consents, exemptions, permits, filings, registrations, authorisations and waivers in connection with the Disposal contemplated under the SPA having been obtained or completed, including (i) the shareholders of the Purchaser having completed the relevant overseas investment filing procedures with the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC; and (ii) the shareholders of the Purchaser having completed the declaration of concentration of business operator in the PRC in relation to the transactions contemplated under the SPA;
- (c) save for certain transactions and matters agreed by the Parties in writing, there being no material adverse change in and no force majeure event which may reasonably be anticipated to have a material adverse effect on the shareholding structure, assets, business, operation, financial position or indebtedness of the Target Group and the Expressway JVs from the date of the SPA up to the Completion Date;
- (d) there being no laws and regulations and no judgments, awards, rulings, decisions, orders and injunctions by courts, arbitral tribunals or other relevant governmental authorities which limit, prohibit or void the transactions contemplated under the SPA; and there being no pending or threatened disputes, litigation, arbitration, claims and/or other legal proceedings which have or will have a material adverse effect on any member of the Target Group or any of the Expressway JVs or the transactions contemplated under the SPA; and
- (e) there being no events which materially breach the warranties provided by the Seller under the SPA.

LETTER FROM THE BOARD

Conditions (c) and (e) above may be waived by the Purchaser, provided that if the non-fulfillment of Condition (e) is due to any force majeure event (including without limitation change of governmental policies), Condition (e) may only be waived with the agreement of both Parties. If any Condition (to the extent it is not waived by the relevant party) is not fulfilled by 12:00 noon Beijing time on the Long Stop Date, unless agreed by the Parties, the SPA shall automatically terminate with immediate effect save in respect of certain customary surviving provisions and no Party will have any claim against another for costs, damages, compensation or otherwise, save that termination does not affect a Party's accrued rights and obligations at the date of termination.

Completion

Completion shall take place on a date (not being later than the Long Stop Date) falling 5 business days after the date on which the last of the Conditions (a) and (b) are fulfilled, or such other date as may be agreed between the Parties in writing.

Post-Completion obligations

In addition to the consideration as described in the section headed "Consideration and payment terms" above, the Seller is also entitled to receive a management fee of RMB30 million (equivalent to approximately HK\$32.6 million) in respect of the management of the Target Group if Completion takes place on or before 31 January 2024. The Target Company is to settle such management fee (i) at the same time as the payment of the Remainder Consideration or (ii) within two months following the Completion Date, whichever is earlier.

The Purchaser has undertaken to procure, within 180 days from the Completion Date, the unconditional release of the Remaining Group's obligation under the deed of guarantee executed by, among others, an indirect wholly-owned subsidiary of the Company in favour of China Development Bank in respect of the repayment obligations of the Machao Expressway JV under a loan by this bank. If such guarantee is not unconditionally released within the above-mentioned period, the Purchaser has agreed to pay a guarantee fee to be calculated at market rate from the expiry of the above-mentioned period until the guarantee is released.

INFORMATION ON THE TARGET GROUP AND EXPRESSWAY JVS

Business of the Target Group

The Target Company is an investment holding company incorporated in the BVI with limited liability. The principal businesses of the Target Group are the investment in, and the development, operation and management of expressway projects in the PRC. As at the date of the SPA, the Target Group held between 40.0% to 49.0% interest in the Expressways through joint ventures with their respective joint venture partners. Each Expressway JV has the right to operate the section of the expressway held by it during the concession period in accordance with the relevant joint venture contracts.

LETTER FROM THE BOARD

Set out below are the further details of the Expressways as at the Latest Practicable Date:

Expressway	Length	Equity interest held by the Target Group	Joint venture concession expiry date
Baojin Expressway	105 km	40%	November 2033
Changyi Expressway	63 km	43.17% ⁽¹⁾	April 2026 ⁽²⁾
Longcheng Expressway	72 km	45%	October 2042
Machao Expressway	36 km	49%	March 2044

Notes:

1. The Group and its joint venture partner each receives 50% of the cash distributions generated from Changyi Expressway.
2. The joint venture concession expiry date of Changyi Expressway is estimated with reference to the extension of concession term pursuant to the policy of the local government.

(a) Baojin Expressway

Baojin Expressway, which is approximately 105 km long, is situated in Hebei Province. It is part of a major trunk road in Hebei Province and the Bohai Rim Region that runs from the border between Hebei Province and Tianjin to Xushui in Baoding. Baojin Expressway is a major freight transportation corridor linking the north-eastern provinces to the western provinces through Tianjin, Hebei, Henan and Shanxi, offering one of the shortest routes by distance.

(b) Changyi Expressway

Changyi Expressway, which is approximately 63 km long, is situated in Hunan Province. It is one of the premier east-west transportation corridors in Hunan Province, linking Changsha City, the provincial capital of Hunan Province, and Yiyang City and is a major connecting route between Changsha and Zhangjiajie, the first national forest park and a key tourist location in Hunan Province. Changyi Expressway is a major east-west corridor connecting the Changsha-Yongan Expressway and Changsha Huanghua Airport. It is also connected to three national-level economic development zones, namely Changsha Hi-Tech Industrial Development Zone, Ningxiang Economic and Technological Development Zone and Yiyang Hi-Tech Industrial Development Zone, which enables it to benefit from the increase in freight and logistic transportation flowing in and out of these development zones.

(c) Longcheng Expressway

Longcheng Expressway, which is approximately 72 km long, is situated in Shanxi Province. It is located to the southeast of Taiyuan City and is a key connector to the Beijing-Kunming Expressway, one of the seven radial expressways from Beijing to the south-western regions in the PRC. It originates from Yuci Longbai Village located in the east of Taiyuan City, connecting to the Taijiu

LETTER FROM THE BOARD

Expressway, and ends at Chengzhao in Qi County, connecting to the Dayun Expressway. It is the south eastern section of the outer-ring road of the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transportation traffic from the southern Shanxi Province and Shaanxi Province to the Bohai Rim Region.

(d) Machao Expressway

Machao Expressway, which is approximately 36 km long, is situated in Anhui Province. It connects with the Hefei-Chaohu-Wuhu Expressway to the west and with the Ma'anshan Yangtze River Bridge and the Lima Expressway to the east. Machao Expressway has direct connectivity with Ma'anshan City and Nanjing Airport. It then joins with the Nanjing-Changzhou Expressway and is a part of the shortest route connecting Hefei to certain developed coastal cities in the Yangtze River Delta such as Shanghai.

Financial information of the Target Company and the Expressway JVs

In anticipation of the Disposal, certain subsidiaries of the Target Company which are principally companies serving administrative functions for the Group have been either transferred into the Group or dissolved, as appropriate. This also involved the repayment of distributions by an Expressway JV to a member of the Target Group which has since been excluded from the Target Group as mentioned above to ensure that the distributions are retained for the benefit of the Target Group on Completion, and the non-cash settlement of all current accounts between the Target Group and the Remaining Group, including those that have arisen from historical cash distributions from the Target Company to its shareholders as mentioned in notes 6(iii) and 6(iv) to the unaudited pro forma financial information of the Remaining Group as shown in Appendix III to this circular. Accordingly, for the purpose of this circular, given that the Target Group has been controlled by the Company throughout the periods set out below, only the assets and liabilities and results attributable to the joint ventures operating the four Expressways are included in the financial information of the Target Company.

Set out below are the unaudited financial information of the Target Company attributable to the four Expressway JVs as well as the unaudited financial information of joint ventures operating the four Expressways for the two financial years ended 31 December 2022:

Target Company

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit before taxation	503,420	421,823
Net profit after taxation	482,488	400,278

LETTER FROM THE BOARD

Baojin Expressway JV

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit before taxation	745,286	613,994
Net profit after taxation	555,590	458,800

Changyi Expressway JV

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit before taxation	294,920	249,414
Net profit after taxation	221,184	186,723

Longcheng Expressway JV

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit before taxation	388,931	251,826
Net profit after taxation	316,627	189,000

Machao Expressway JV

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
Net profit before taxation	249,931	236,578
Net profit after taxation	183,758	173,970

Further financial information of these Expressway-operating joint ventures can be found at note 19 to the consolidated financial statements of the Company included in the Company's annual report 2022.

The unaudited net asset value of the Target Group as at 30 June 2023 was approximately HK\$3,492.4 million.

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FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Group will no longer hold any interest in the Target Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

Based on the 2023 interim report, the Group had total assets, total liabilities and net assets attributable to Shareholders of approximately HK\$82,089.1 million, HK\$51,129.4 million and HK\$18,856.3 million, respectively as at 30 June 2023 and recorded a loss of approximately HK\$881.4 million for the six months ended 30 June 2023. As set out in the unaudited pro forma financial information of the Remaining Group as shown in Appendix III to this circular, subject to Completion taking place and other assumptions set out therein, the Remaining Group's unaudited pro forma total assets, total liabilities and net assets attributable to Shareholders would be approximately HK\$83,924.0 million, HK\$51,135.3 million and HK\$20,228.0 million, respectively and it would have unaudited pro forma profits of approximately HK\$685.0 million for the six months ended 30 June 2023. The increase in unaudited pro forma total assets is mainly attributable to the amount by which the net proceeds from the Disposal exceeds the net assets of the Target Group as at 30 June 2023, while the increase in unaudited pro forma net assets and results of the Remaining Group was primarily due to the estimated one-off net gain of approximately HK\$1,829 million from the Disposal assuming Disposal taken place on 30 June 2023.

Save for the estimated one-off gain on Disposal and the absence of subsequent recognition of any share of results of joint ventures from the Target Group, there is not expected to be any material change to the profit attributable to Shareholders following Completion.

The above description of the potential financial impact is for illustration purpose only. The finalisation of gain or loss as a result of the Disposal (including the effects of the settlement of outstanding balances between the Target Group and the Remaining Group prior to Completion) to be recorded by the Company is subject to be reviewed by the auditors of the Group and will be assessed after Completion. Accordingly, the actual gain or loss may differ from that indicated above.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in property development and investment in the PRC and Hong Kong, with a focus on residential developments, investment and asset management businesses, as well as investment in, and the development, operation and management of toll roads through the infrastructure joint ventures in the PRC and Indonesia.

The Disposal enables the Group to realize the value of its investment in the Expressways at fair market value that also represents a premium over the unaudited net asset value of the Target Group as at 30 June 2023. Following the Disposal, the Group's toll road business will include (i) its interests in its Indonesia expressway portfolio in held through joint ventures in that country, and (ii) its residual interests in joint ventures operating the Tangjin Expressway in which the Group's operating rights have expired, in the form of entitlements to distributions up to the end of the joint venture period. The Remaining Group expects to continue to hold and operate its expressway portfolio in Indonesia comprising interests in four toll road projects in Indonesia spanning approximately 335 km in total. The Group expects that it will start to receive cash distributions from certain of its Indonesia toll road

LETTER FROM THE BOARD

joint ventures from or after 2024, and to enjoy profit contribution from that portfolio as the economy in Indonesia improves and the government approves increased toll rates for some of the toll roads. The Group has no plan to exit its toll road business segment. As such, the business segments of the Remaining Group will remain unchanged immediately following Completion.

The Company expects the Disposal to provide the Group with net proceeds of approximately RMB4,022.8 million (equivalent to approximately HK\$4,373.2 million) (after deducting the payment of income tax and other transaction-related expenses), assuming no adjustments to the Preliminary Consideration. Following Completion, the Group expects (i) to utilise approximately HK\$833.2 million for repayment of project loans of the Seller and its subsidiaries; and (ii) to propose a distribution of approximately 85% to 90% of the remaining net proceeds by way of dividends to shareholders of the Seller on terms to be agreed between shareholders of the Seller, with the remainder in and towards the working capital and/or future opportunistic investments by the Seller as may be agreed between its shareholders. The Group expects to apply approximately 80% to 90% of the distributions it receives from the Seller in and towards reducing the Group's gearing of the Group and to use the remainder as general working capital.

Based on the reasons above and taking into account the benefits brought by the Disposal to the Group, the Directors are of the view that the terms of the SPA and the Disposal contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios in relation to the Disposal calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements thereunder.

SGM AND REGISTER OF MEMBERS

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

The register of members of the Company will be closed from Tuesday, 19 December 2023 to Wednesday, 20 December 2023, both dates inclusive, during which period no transfer of Shares will be registered. The record date for the determination of the entitlement to attend and vote at the SGM will be Wednesday, 20 December 2023. In order to qualify for attending the SGM, all properly

LETTER FROM THE BOARD

completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than Monday, 18 December 2023 at 4:00 p.m.

To the best knowledge of the Directors having made reasonable enquiry, no Shareholder has any material interest in the transaction contemplated under the SPA. Accordingly, no Shareholder is required to abstain from voting at the SGM.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Bye-law 66 of the Company's Bye-laws, any votes of the Shareholders at a general meeting must be taken by poll. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible in accordance with Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors being of the opinion that terms of the SPA are fair and reasonable and the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, recommend that Shareholders vote in favour of the resolution to approve the Disposal to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information as set out in the appendices to this circular.

Yours faithfully
For and on behalf of
Road King Infrastructure Limited
Zen Wei Peu, Derek
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The annual reports of the Company for the years ended 31 December 2020 (pages F-8 to F-151), 2021 (pages F-7 to F-139) and 2022 (pages F-7 to F-139) published by the Company on 13 April 2021, 11 April 2022 and 18 April 2023 respectively, together contain the consolidated financial statements of the Group for the three years ended 31 December 2020, 2021 and 2022.

The interim report of the Company for the six months ended 30 June 2023 (pages F-2 to F-36) published by the Company on 7 September 2023 contains the condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

The relevant annual reports and the interim report are available on the Company's website (https://www.roadking.com.hk/en/investor_relations/financial/) and on the Stock Exchange's website as set out below.

Annual Report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0413/2021041300573.pdf>

Annual Report 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0411/2022041100487.pdf>

Annual Report 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800613.pdf>

Interim Report 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0907/2023090700840.pdf>

2. FINANCIAL AND TRADING PROSPECT OF THE GROUP**Business segments**

The Group's business is comprised of three major segments namely (i) property development business; (ii) toll road business; and (iii) investment and asset management business.

Property development business

Looking forward, the real estate market in the PRC is expected to remain sluggish, and obvious differentiation among cities will continue. In light of this, more powerful supportive policies will be needed to curb the downward trend in the market in the second half of the year. The Central Government and local governments are expected to adjust and optimise real estate policies when appropriate, and gradually loosen restrictive home purchase policies to support rigid and improved housing demands, thereby promoting the stable and healthy development of the real estate market. At the same time, it is anticipated that coming years, local governments will increase land grant, land supply is therefore expected to rebound. However, as market confidence has yet to be restored, coupled with tight liquidity of real estate enterprises and other factors, the land market is expected to continue the trend of “partially hot but overall cool” in the first half of the year. The Group will adjust its strategies for land auction based on its review of the market situation and cash flows position.

As mentioned above, the economic development in Mainland China is facing challenges currently, with insufficient domestic demand and operational difficulties faced by enterprises. Coupled with the complex and severe international economic and political environment, the impact on the economy of the PRC will sustain in the short term. The real estate industry, as a pillar industry in the PRC, still plays an important role in supporting economic growth. The Group stays cautious in regard to the outlook of property business development in the PRC.

Throughout the years, the Group’s property business has been operated under a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. Going forward, the property management and operation team of the Group has continued and will continue its pragmatic approach and strive to ensure property delivery and enhance its cash flow. To establish the Group as a more widely recognised and reliable developer, it will continue to research and develop market-oriented products and promote the brand name of the Group.

Toll road business

Subject to Completion, the Remaining Group expects to continue to hold and operate its expressway portfolio in Indonesia comprising interests in four toll road projects in Indonesia spanning approximately 335 km in total in which the Group invested through joint ventures. The economic growth in Indonesia is expected to remain the current momentum in the second half of the year, and the toll revenue and traffic volume of the expressway projects in Indonesia will continue to increase. Going forward, the Remaining Group will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic development policies of the Asia-Pacific region. Meanwhile, the Remaining Group will continue to identify and calibrate toll road projects to optimise the Remaining Group’s toll road business.

Investment and asset management business

After reorganisation and rectification, the business scale of the remaining original investment and asset management businesses, which mainly comprised real estate fund investment as well as cultural and tourist businesses, has been significantly reduced and investment in new businesses has been ceased. Going forward, the Group will continue to review the operation of its remaining businesses and take appropriate actions in due course.

Please refer to the Management Discussion and Analysis section of the Company's interim report for the six months ended 30 June 2023 for more information on the Group.

3. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2023, being the latest practicable date for the sole purpose of determining this statement of indebtedness of the Group prior to the date of this Circular, the Group had the total borrowings amounting to approximately HK\$30,397,134,000 and 63% of the Group's bank and other borrowings bear interest at fixed rate ranging from 5.125% to 15%. Details of which are as follows:

	<i>HK\$'000</i>
Bank borrowings	
- Secured and guaranteed	3,956,325
- Secured and unguaranteed	2,153,556
- Unsecured and guaranteed	2,250,482
- Unsecured and unguaranteed	218,505
Senior notes	
- Unsecured and guaranteed	13,701,711
Other loans	
- Secured and guaranteed	1,126,825
Amounts due to joint ventures and associates	
- Unsecured and unguaranteed	5,804,230
Amounts due to other non-controlling interests of subsidiaries	
- Unsecured and unguaranteed	<u>1,185,500</u>
Total	<u><u>30,397,134</u></u>

Mortgage and Charges

As at 31 October 2023, the Group's bank borrowings and other loans of approximately HK\$7,236,706,000 in total were secured by certain pledged bank deposits, certain inventories of properties, certain investment properties and equity shares of certain subsidiaries and joint venture of the Group.

Lease obligations

As at 31 October 2023, the Group had undiscounted lease obligations of approximately HK\$32,608,000 to the lease of office premises in the PRC and Hong Kong which were unguaranteed and secured by rental deposits of the Group.

Participation rights designated at fair value through profit or loss ("FVTPL")

As at 31 October 2023, participation rights designated at FVTPL of approximately HK\$197,930,000 related to financial obligations arising from rights granted to a subsidiary of a major shareholder of the Company and they were unsecured and unguaranteed.

Sale loan with redemption right designed as at FVTPL

As at 31 October 2023, sale loan with redemption right designated at FVTPL of approximately HK\$794,294,000 related to a shareholder loan with redemption right provided by a subsidiary of a major shareholder of the Company and it was unsecured and unguaranteed.

Financial guarantee contracts

As at 31 October 2023, the Group had the following financial guarantee contracts:

(a) Guarantees in respect of mortgage facilities of certain property buyers

As at 31 October 2023, the total outstanding guarantee provided by the Group to banks in favour of its customers for the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties was approximately HK\$4,392,452,000.

(b) Guarantee given to banks in respect of banking facilities utilised by joint ventures of the Group

As at 31 October 2023, the total outstanding guarantee provided by the Group to banks for the banking facilities granted to joint ventures was approximately HK\$2,406,632,000.

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 31 October 2023, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities.

4. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the financial resources available to the Group including the available credit facilities, the Group's internally generated funds and the cash flow impact of the Disposal, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of any unforeseen circumstances.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

Set out on pages II-2 to II-23 are the financial information of the Group which comprises the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 and the consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended 31 December 2020, 2021 and 2022 and unaudited condensed consolidated statement of profit or loss, unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of cash flows and unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2023 and certain explanatory notes (altogether referred to as “Financial Information”).

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(B) of the Listing Rules and the basis of preparation as set out in note 2 to the Financial Information. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the proposed Disposal. The Company’s reporting accountants, Deloitte Touche Tohmatsu, were engaged to review the Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion. The reporting accountants have issued an unmodified review report.

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
Revenue					
Property sales and service income	24,055,542	24,498,509	16,999,550	4,899,761	6,176,557
Other revenue	140,561	179,440	156,426	73,139	100,419
Total revenue	24,196,103	24,677,949	17,155,976	4,972,900	6,276,976
Cost of sales	(17,689,510)	(19,278,910)	(14,211,696)	(3,165,290)	(5,582,880)
Gross profit	6,506,593	5,399,039	2,944,280	1,807,610	694,096
Interest income	244,588	307,695	395,726	227,189	167,021
Other income	83,574	184,425	116,551	93,244	101,548
Other gains and losses	259,652	82,950	(687,319)	(585,708)	(1,066,367)
Selling expenses	(763,170)	(901,018)	(702,236)	(245,015)	(293,828)
Administrative expenses	(961,668)	(950,298)	(924,782)	(378,480)	(401,171)
Share of results of associates	70,040	131,715	31,970	30,063	7,740
Share of results of joint ventures	466,586	1,093,035	1,067,257	405,947	724,360
Finance costs	(1,172,693)	(1,073,317)	(1,143,274)	(549,537)	(582,235)
Profit (loss) before taxation	4,733,502	4,274,226	1,098,173	805,313	(648,836)
Income tax expenses	(1,949,906)	(2,289,737)	(639,561)	(336,381)	(232,532)
Profit (loss) for the year/period	<u>2,783,596</u>	<u>1,984,489</u>	<u>458,612</u>	<u>468,932</u>	<u>(881,368)</u>
Profit (loss) for the year/period attributable to:					
Owners of the Company	1,722,848	1,028,245	(495,378)	85,431	(1,220,253)
Owners of perpetual capital securities	527,775	527,775	536,907	266,321	265,929
Other non-controlling interests of subsidiaries	532,973	428,469	417,083	117,180	72,956
	<u>2,783,596</u>	<u>1,984,489</u>	<u>458,612</u>	<u>468,932</u>	<u>(881,368)</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
Profit (loss) for the year/period	2,783,596	1,984,489	458,612	468,932	(881,368)
Other comprehensive income (expense) for the year/period					
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>					
Fair value losses on hedging instruments designated in cash flow hedges	(53,111)	-	-	-	-
Exchange differences arising on translation of foreign operations	-	(79,736)	29,656	52,224	225,108
Share of other comprehensive (expense) income of joint ventures	-	-	(8,116)	(6,346)	4,329
Reclassified to profit or loss upon termination of hedging instruments	-	53,111	-	-	-
<i>Item that will not be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation to presentation currency	<u>1,364,932</u>	<u>1,006,425</u>	<u>(1,811,030)</u>	<u>(670,023)</u>	<u>(421,683)</u>
Other comprehensive income (expense) for the year/period	<u>1,311,821</u>	<u>979,800</u>	<u>(1,789,490)</u>	<u>(624,145)</u>	<u>(192,246)</u>
Total comprehensive income (expense) for the year/period	<u>4,095,417</u>	<u>2,964,289</u>	<u>(1,330,878)</u>	<u>(155,213)</u>	<u>(1,073,614)</u>
Total comprehensive income (expense) attributable to:					
Owners of the Company	2,871,079	1,934,109	(1,941,137)	(429,379)	(1,390,142)
Owners of perpetual capital securities	527,775	527,775	536,907	266,321	265,929
Other non-controlling interests of subsidiaries	<u>696,563</u>	<u>502,405</u>	<u>73,352</u>	<u>7,845</u>	<u>50,599</u>
	<u>4,095,417</u>	<u>2,964,289</u>	<u>(1,330,878)</u>	<u>(155,213)</u>	<u>(1,073,614)</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	81,905	93,253	53,049	50,524
Right-of-use assets	105,585	82,685	41,273	36,164
Investment properties	4,046,258	4,263,014	4,125,822	5,348,474
Interests in associates	1,433,375	1,606,893	1,041,280	1,034,846
Interests in joint ventures	13,843,087	19,320,801	18,612,840	18,618,882
Deferred tax assets	214,939	196,304	227,359	240,437
Amounts due from joint ventures and associates	9,869,288	11,628,741	6,084,012	4,437,866
Amounts due from other non-controlling interests of subsidiaries	-	306,198	974,183	302,069
Loan receivables	1,384,570	1,983,620	2,651,746	2,344,473
Financial assets at fair value through profit or loss ("FVTPL")	<u>328,751</u>	<u>899,080</u>	<u>596,271</u>	<u>588,204</u>
	<u>31,307,758</u>	<u>40,380,589</u>	<u>34,407,835</u>	<u>33,001,939</u>
Current assets				
Inventory of properties	47,864,974	44,667,671	38,631,097	32,873,954
Prepayment for land leases	-	478,012	-	1,029,364
Amounts due from joint ventures and associates	3,939,385	3,341,987	3,564,733	2,668,691
Amounts due from other non-controlling interests of subsidiaries	1,672,435	2,122,295	909,132	1,089,292
Loan receivables	551,420	558,008	68,158	74,122
Debtors, deposits and prepayments	2,421,954	2,398,928	2,657,112	2,585,176
Prepaid income tax	1,352,193	1,575,271	1,382,848	1,546,921
Pledged bank deposits	114,799	113,395	119,803	82,457
Bank balances and cash	<u>14,055,969</u>	<u>12,599,575</u>	<u>8,261,655</u>	<u>7,137,201</u>
	<u>71,973,129</u>	<u>67,855,142</u>	<u>55,594,538</u>	<u>49,087,178</u>
Total assets	<u>103,280,887</u>	<u>108,235,731</u>	<u>90,002,373</u>	<u>82,089,117</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	74,934	74,934	74,934	74,934
Reserves	<u>20,852,911</u>	<u>22,262,484</u>	<u>20,171,480</u>	<u>18,781,338</u>
	<u>20,927,845</u>	<u>22,337,418</u>	<u>20,246,414</u>	<u>18,856,272</u>
Owners of perpetual capital securities	6,952,437	6,954,296	6,961,258	6,962,375
Other non-controlling interests of subsidiaries	<u>5,161,572</u>	<u>6,506,666</u>	<u>5,552,811</u>	<u>5,141,120</u>
Total equity	<u>33,041,854</u>	<u>35,798,380</u>	<u>32,760,483</u>	<u>30,959,767</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Non-current liabilities				
Bank and other borrowings	24,631,423	30,402,464	21,890,008	20,756,578
Amounts due to joint ventures	-	386,081	-	-
Deferred tax liabilities	1,172,600	1,362,754	1,238,541	1,206,632
Financial liabilities at FVTPL	17,409	111,793	198,815	581,947
Derivative financial instruments	53,111	-	-	-
Lease liabilities	89,609	67,663	28,647	21,258
	<u>25,964,152</u>	<u>32,330,755</u>	<u>23,356,011</u>	<u>22,566,415</u>
Current liabilities				
Creditors and accrued charges	10,685,326	10,703,320	8,174,131	6,845,972
Amounts due to joint ventures and associates	4,431,961	5,010,168	4,919,384	5,453,201
Amounts due to other non-controlling interests of subsidiaries	1,424,335	1,938,642	1,505,136	1,524,838
Contract liabilities	7,819,246	8,406,644	3,980,427	4,464,042
Lease liabilities	26,357	24,417	15,031	18,285
Income tax payable	5,831,694	5,954,969	4,944,361	4,585,580
Bank and other borrowings	13,424,768	7,923,720	10,257,686	5,204,813
Financial liabilities at FVTPL	182,672	144,716	89,723	466,204
Other financial liabilities	448,522	-	-	-
	<u>44,274,881</u>	<u>40,106,596</u>	<u>33,885,879</u>	<u>28,562,935</u>
Total equity and liabilities	<u>103,280,887</u>	<u>108,235,731</u>	<u>90,002,373</u>	<u>82,089,117</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Cash flow hedging reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Owners of perpetual capital securities HK\$'000	Other non-controlling interests of subsidiaries HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	74,934	3,224,794	36,126	1,260,000	1,002,963	3,397,558	-	9,869,674	18,866,049	6,961,919	2,736,049	28,564,017
Profit for the year	-	-	-	-	-	-	-	1,722,848	1,722,848	527,775	532,973	2,783,596
Fair value losses on hedging instruments	-	-	-	-	-	-	(53,111)	-	(53,111)	-	-	(53,111)
Exchange differences arising on translation to presentation currency	-	-	1,201,342	-	-	-	-	-	1,201,342	-	163,590	1,364,932
Total comprehensive income (expense) for the year	-	-	1,201,342	-	-	-	(53,111)	1,722,848	2,871,079	527,775	696,563	4,095,417
Sub-total	74,934	3,224,794	1,237,468	1,260,000	1,002,963	3,397,558	(53,111)	11,592,522	21,737,128	7,489,694	3,432,612	32,659,434
Expenses paid for perpetual capital securities	-	-	-	-	-	-	-	-	(8,304)	-	-	(8,304)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	380,356	380,356
Capital contributions from other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,348,604	1,348,604
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	(809,283)	(809,283)	(528,953)	-	(528,953)
Dividends	-	-	-	-	-	345,065	-	(345,065)	-	-	-	(809,283)
Appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	74,934	3,224,794	1,237,468	1,260,000	1,002,963	3,742,623	(53,111)	10,438,174	20,927,845	6,952,437	5,161,572	33,041,854
Profit for the year	-	-	-	-	-	-	-	1,028,245	1,028,245	527,775	428,469	1,984,489
Reclassified to profit or loss upon termination of hedging instruments	-	-	-	-	-	-	53,111	-	53,111	-	-	53,111
Exchange differences arising on translation to foreign operations	-	-	(59,802)	-	-	-	-	-	(59,802)	-	(19,934)	(79,736)
Exchange differences arising on translation to presentation currency	-	-	912,555	-	-	-	-	-	912,555	-	93,870	1,006,425
Total comprehensive income for the year	-	-	852,753	-	-	-	53,111	1,028,245	1,934,109	527,775	502,405	2,964,289
Sub-total	74,934	3,224,794	2,090,221	1,260,000	1,002,963	3,742,623	-	11,466,419	22,861,954	7,480,212	5,663,977	36,006,143

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Cash flow hedging reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Owners of perpetual capital securities HK\$'000	Other non-controlling interests of subsidiaries HK\$'000	Total equity HK\$'000
Capital contributions from other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	842,689	842,689
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	(524,536)	(524,536)	(525,916)	-	(525,916)
Dividends	-	-	-	-	-	411,827	-	(411,827)	(411,827)	-	-	(524,536)
Appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021	74,934	3,224,794	2,090,221	1,260,000	1,002,963	4,154,450	-	10,530,056	22,337,418	6,954,296	6,506,666	35,798,380
(Loss) profit for the year	-	-	-	-	-	-	-	(495,378)	(495,378)	536,907	417,083	458,612
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(8,116)	-	(8,116)	-	-	(8,116)
Exchange differences arising on translation of foreign operations	-	-	22,242	-	-	-	-	-	22,242	-	7,414	29,656
Exchange differences arising on translation to presentation currency	-	-	(1,459,885)	-	-	-	-	-	(1,459,885)	-	(351,145)	(1,811,030)
Total comprehensive (expense) income for the year	-	-	(1,437,643)	-	-	-	(8,116)	(495,378)	(1,941,137)	536,907	73,352	(1,330,878)
Sub-total	74,934	3,224,794	652,578	1,260,000	1,002,963	4,154,450	(8,116)	10,034,678	20,396,281	7,491,203	6,580,018	34,467,502
Released upon deregistration of subsidiaries of the Company	-	-	(50,776)	-	-	-	-	50,776	-	-	-	-
Reduction in capital of other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(384,990)	(384,990)
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	(529,945)	-	(529,945)
Dividends paid/payable for other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(149,867)	(149,867)	-	(642,217)	(642,217)
Dividends	-	-	-	-	-	-	-	(1,629,153)	(1,629,153)	-	-	(149,867)
Appropriation	-	-	-	-	-	1,629,153	-	-	-	-	-	-
Balance at 31 December 2022	74,934	3,224,794	601,802	1,260,000	1,002,963	5,783,603	(8,116)	8,306,434	20,246,414	6,961,258	5,552,811	32,760,483

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Cash flow hedging reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Owners of perpetual capital securities HK\$'000	Other non-controlling interests of subsidiaries HK\$'000	Total equity HK\$'000
(Loss) profit for the period	-	-	-	-	-	-	-	(1,220,253)	(1,220,253)	265,929	72,956	(881,368)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	4,329	-	4,329	-	-	4,329
Exchange differences arising on translation of foreign operations	-	-	168,831	-	-	-	-	-	168,831	-	56,277	225,108
Exchange differences arising on translation to presentation currency	-	-	(343,049)	-	-	-	-	-	(343,049)	-	(78,634)	(421,683)
Total comprehensive (expense) income for the period	-	-	(174,218)	-	-	-	4,329	(1,220,253)	(1,390,142)	265,929	50,599	(1,073,614)
Sub-total	74,934	3,224,794	427,584	1,260,000	1,002,963	5,783,603	(3,787)	7,086,181	18,856,272	7,227,187	5,603,410	31,686,869
Capital contributions from other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	84,570	84,570
Reduction of capital/acquisition of other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(546,860)	(546,860)
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	(264,812)	-	(264,812)
Balance at 30 June 2023 (unaudited)	74,934	3,224,794	427,584	1,260,000	1,002,963	5,783,603	(3,787)	7,086,181	18,856,272	6,962,375	5,141,120	30,959,767

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued

	Attributable to owners of the Company											
	Share capital HK\$ '000	Share premium HK\$ '000	Foreign currency translation reserve HK\$ '000	Special reserve HK\$ '000	Other reserve HK\$ '000	Statutory reserve HK\$ '000	Cash flow hedging reserve HK\$ '000	Retained profits HK\$ '000	Sub-total HK\$ '000	Owners of perpetual capital securities HK\$ '000	Other non-controlling interests of subsidiaries HK\$ '000	Total equity HK\$ '000
Balance at 1 January 2022 (audited)	74,934	3,224,794	2,090,221	1,260,000	1,002,963	4,154,450	-	10,530,056	22,337,418	6,954,296	6,506,666	35,798,380
Profit for the period	-	-	-	-	-	-	-	85,431	85,431	266,321	117,180	468,932
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(6,346)	-	(6,346)	-	-	(6,346)
Exchange differences arising on translation of foreign operations	-	-	39,168	-	-	-	-	-	39,168	-	13,056	52,224
Exchange differences arising on translation to presentation currency	-	-	(547,632)	-	-	-	-	-	(547,632)	-	(122,391)	(670,023)
Total comprehensive (expense) income for the period	-	-	(508,464)	-	-	-	(6,346)	85,431	(429,379)	266,321	7,845	(155,213)
Sub-total	74,934	3,224,794	1,581,757	1,260,000	1,002,963	4,154,450	(6,346)	10,615,487	21,908,039	7,220,617	6,514,511	35,643,167
Released upon deregistration of subsidiaries of the Company	-	-	(50,776)	-	-	-	-	50,776	-	-	-	-
Reduction of capital of other non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(344,990)	(344,990)
Distributions paid for owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	(264,012)	-	(264,012)
Dividends	-	-	-	-	-	-	-	(149,867)	(149,867)	-	-	(149,867)
Balance at 30 June 2022 (unaudited)	74,934	3,224,794	1,530,981	1,260,000	1,002,963	4,154,450	(6,346)	10,516,396	21,758,172	6,956,605	6,169,521	34,884,298

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
OPERATING ACTIVITIES					
Operating cash flows before					
movements in working capital	4,923,382	3,781,876	1,469,495	1,295,398	121,556
Decrease in inventory of					
properties	8,892,670	10,659,324	10,041,413	1,187,729	4,104,357
Decrease (increase) in debtors,					
deposits and prepayments	2,101,604	205,946	(215,512)	(196,732)	67,205
Increase (decrease) in creditors					
and accrued charges	297,806	(618,807)	(3,048,164)	(2,359,946)	(1,288,787)
(Decrease) increase in contract					
liabilities	(4,602,893)	293,568	(4,410,138)	121,624	534,970
Payment for land leases	<u>(10,306,478)</u>	<u>(5,544,523)</u>	<u>(458,250)</u>	<u>(473,958)</u>	<u>(1,029,364)</u>
Cash generated from (used in)					
operations	1,306,091	8,777,384	3,378,844	(425,885)	2,509,937
Income tax paid	<u>(2,308,857)</u>	<u>(2,366,742)</u>	<u>(1,270,946)</u>	<u>(1,034,729)</u>	<u>(768,908)</u>
NET CASH (USED IN)					
GENERATED FROM					
OPERATING ACTIVITIES	<u>(1,002,766)</u>	<u>6,410,642</u>	<u>2,107,898</u>	<u>(1,460,614)</u>	<u>1,741,029</u>
INVESTING ACTIVITIES					
Cash distributions/dividends					
received from joint ventures	536,683	1,004,689	803,460	488,331	389,036
Additions to investment					
properties	(869)	(385)	(1,925)	(1,991)	-
Interest received	137,739	321,297	524,984	349,148	116,292
Purchases of property, plant and					
equipment	(14,315)	(32,266)	(13,346)	(8,329)	(8,649)
Proceeds on disposal of					
investment properties	-	-	6,205	6,418	-
Proceeds on disposal of property,					
plant and equipment	3,269	2,100	1,506	597	388
Net cash inflows (outflows) from					
acquisition of subsidiaries	59,112	(12,828)	(520,668)	-	2,363

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
Net cash proceeds on disposal of interests in joint ventures	-	-	79,999	48,150	-
Additions to loan receivables	(664,624)	(775,199)	(433,067)	(39,505)	(16,355)
Repayment of loan receivables	165,478	125,368	77,465	49,095	43,231
Addition of investments in an unlisted entity	-	(602,198)	-	-	-
Cash payment for foreign currency forward contracts	-	(185,330)	(40,971)	(40,971)	-
Advances to other non-controlling interests of subsidiaries	(1,656,475)	(1,016,462)	(132,522)	(105,084)	(232,018)
Repayment from other non-controlling interests of subsidiaries	-	324,699	556,789	111,206	254,115
Advances to joint ventures	(6,821,159)	(5,089,963)	(2,387,408)	(1,544,212)	(997,635)
Repayment from joint ventures	5,766,508	4,887,007	5,469,954	3,737,163	3,258,265
Placement of pledged bank deposits	-	(7,600)	(17,475)	(13,058)	(12,363)
Withdrawal of pledged bank deposits	606,961	9,004	5,235	2,123	48,088
Placement of restricted bank balances	(660,603)	(562,468)	(608,985)	(195,296)	(448,200)
Withdrawal of restricted bank balances	-	1,268,220	833,416	748,270	314,566
Acquisition of interest in joint ventures	-	(517,736)	(1,984,029)	-	-
Capital contributions to joint ventures	(1,983,128)	(4,666,814)	(879,113)	(333,691)	(39,957)
Capital reductions of joint ventures	-	296,342	413,863	-	114,286
Settlement of consideration payables	<u>(781,589)</u>	<u>(7,516)</u>	<u>(251,520)</u>	<u>(198,322)</u>	<u>(10,526)</u>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	<u>(5,307,012)</u>	<u>(5,238,039)</u>	<u>1,501,847</u>	<u>3,060,042</u>	<u>2,774,927</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
FINANCING ACTIVITIES					
New borrowings raised	18,514,506	19,870,326	4,794,303	1,976,313	1,131,219
Repayment of borrowings	(11,316,062)	(20,040,660)	(10,114,164)	(3,382,857)	(7,259,327)
Cash consideration paid for other financial liabilities	-	(448,522)	-	-	-
Repayment of lease liabilities including related interests	(36,266)	(32,066)	(22,498)	(12,459)	(10,384)
Capital contributions from other non-controlling interests of subsidiaries	1,348,604	842,689	-	-	16
Expenses paid for perpetual capital securities	(8,304)	-	-	-	-
Reduction in capital of other non-controlling interests of subsidiaries	-	-	(384,990)	(344,990)	-
Advances from other non-controlling interests of subsidiaries	601,757	1,719,825	428,114	303,073	380,425
Repayment to other non-controlling interests of subsidiaries	(2,189,966)	(1,151,894)	(750,277)	(676,677)	(340,361)
Advances from joint ventures and associates	2,004,289	2,454,435	2,730,270	694,004	934,590
Repayment to joint ventures and associates	(676,204)	(2,092,923)	(650,007)	(268,959)	(37,364)
Dividends paid for other non-controlling interests of subsidiaries	(83,995)	(157,349)	(367,600)	-	-
Distributions paid for owners of perpetual capital securities	(528,953)	(525,916)	(529,945)	(264,012)	(264,812)
Dividend paid	(809,283)	(524,536)	(149,867)	(149,867)	-
Interest paid	(2,246,302)	(2,335,452)	(2,168,023)	(1,051,236)	(965,024)
Net cash received from (paid for) participation rights designated at FVTPL	-	111,793	102,097	137,616	(5,080)
Cash received from sale loan with redemption right designated at FVTPL	-	-	-	-	800,000

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

	Year ended 31 December			Six months ended	
	2020	2021	2022	30 June	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	(Unaudited)
Cash received on termination of hedging instruments	-	5,367	-	-	-
Cash paid for contingent consideration designated at FVTPL	-	-	-	-	(29,801)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,801)</u>
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	<u>4,573,821</u>	<u>(2,304,883)</u>	<u>(7,082,587)</u>	<u>(3,040,051)</u>	<u>(5,665,903)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,735,957)	(1,132,280)	(3,472,842)	(1,440,623)	(1,149,947)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	13,238,530	12,183,058	11,432,416	11,432,416	7,371,621
Effect of foreign exchange rate changes	<u>680,485</u>	<u>381,638</u>	<u>(587,953)</u>	<u>(216,216)</u>	<u>(99,729)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	12,183,058	11,432,416	7,371,621	9,775,577	6,121,945
Add: designated bank balances	<u>1,872,911</u>	<u>1,167,159</u>	<u>890,034</u>	<u>594,806</u>	<u>1,015,256</u>
Total bank balances and cash	<u><u>14,055,969</u></u>	<u><u>12,599,575</u></u>	<u><u>8,261,655</u></u>	<u><u>10,370,383</u></u>	<u><u>7,137,201</u></u>

NOTES TO THE FINANCIAL INFORMATION OF THE GROUP**1. GENERAL INFORMATION**

Road King Infrastructure Limited (the “Company”) is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the operation of property development and investment, investment and asset management businesses in Hong Kong and Mainland China; and the investment in, and the development, operation and management of toll roads through the infrastructure joint ventures in Mainland China and Indonesia.

Road King Expressway International Holdings Limited (the “Seller”), an indirect subsidiary owned as to 75% by the Company, entered into a conditional sale and purchase agreement (the “Agreement”) dated 17 November 2023 with Cornerstone Holdings Limited (the “Purchaser”), pursuant to which the Seller agreed to sell and the Purchaser agreed to buy the entire issued share capital of Road King (China) Infrastructure Limited (the “Target Company”) (the “Disposal”). The Target Company is a wholly owned subsidiary of the Seller incorporated under the laws of the British Virgin Islands with limited liability. The Target Company is an investment holding company and its subsidiaries are engaged in investment in, and development, operation and management of expressway projects in Mainland China through holding interests in joint ventures with respective joint venture partners. Each joint venture has the right to operate the section of the expressway held by it during the concession period in accordance with the relevant joint venture contracts. In July 2023, the Target Company has completed a group reorganisation where its interests in certain subsidiaries (including management service companies) were transferred to other entities in the Group. Prior to the group reorganisation, the joint ventures held by subsidiaries of the Target Company operated five expressways. As at the date of the Agreement, the Target Company and its subsidiaries (collectively referred to as the “Target Group”) held interests in only four expressways namely Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway (as defined in this circular) through holding interests in joint ventures with respective joint venture partners.

The Financial Information is presented in Hong Kong dollar (“HK\$”), which is different from the Company’s functional currency of Renminbi (“RMB”). The directors of the Company adopted HK\$ as presentation currency. For the convenience of the financial statements users, the Financial Information is presented in HK\$, as the Company’s shares are listed on the Stock Exchange.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(B) of the Rules Governing the Listing of Securities on The Stock Exchange, and solely for the purposes of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim reports of the Company for the six months ended 30 June 2022 and 2023 (the “Relevant Periods”).

The Financial Information has been prepared in accordance with the relevant accounting policies adopted by the Group as set out in the respective annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim reports of the Company for the six months ended 30 June 2022 and 2023. Except for the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which have been applied to the Financial Information as and when they became effective, all the relevant accounting policies have been consistently applied to all the periods presented.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Group anticipate that the application of all amendments to HKFRSs will have no material impact on the Financial Information in the foreseeable future.

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

3. UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Subsequent to the end of the Relevant Periods, according to the Agreement dated 17 November 2023, subject to the fulfilment of certain precedent conditions, the Seller has agreed to sell all the shares in issue of the Target Company, which together with its subsidiaries hold interests in the four expressways upon completion of the reorganisation as mentioned in note 1 above. Upon completion of the Disposal, the Group will cease to have any interests in the Target Group, and the financial results and assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group. As at the Latest Practicable Date, the Disposal has yet to be completed.

As the Target Group in relation to the Disposal has been controlled by the Company throughout the Relevant Periods, only the assets and liabilities, results and cash flows attributable to the four expressways operated by the Target Group are included in the financial information of the Target Group for the Relevant Periods. Set out below are the financial information attributable to the four expressways operated by the Target Group for the Relevant Periods.

UNAUDITED STATEMENTS OF PROFIT OR LOSS OF THE TARGET GROUP

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income	10,416	10,665	14,096	6,489	757
Other gains and losses	(40,214)	(29,288)	(3,804)	24,522	20,991
Administrative expenses	(44,865)	(45,002)	(39,057)	(23,191)	(17,146)
Share of results of joint ventures	<u>258,442</u>	<u>567,045</u>	<u>450,588</u>	<u>238,098</u>	<u>258,241</u>
Profit before taxation	183,779	503,420	421,823	245,918	262,843
Income tax expense	<u>(12,719)</u>	<u>(20,932)</u>	<u>(21,545)</u>	<u>(12,104)</u>	<u>(11,698)</u>
Profit for the year/period	<u>171,060</u>	<u>482,488</u>	<u>400,278</u>	<u>233,814</u>	<u>251,145</u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period	171,060	482,488	400,278	233,814	251,145
Other comprehensive income (expense) for the year/period					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation to presentation currency	<u>211,842</u>	<u>132,430</u>	<u>(226,903)</u>	<u>(88,226)</u>	<u>(56,016)</u>
Total comprehensive income for the year/period	<u><u>382,902</u></u>	<u><u>614,918</u></u>	<u><u>173,375</u></u>	<u><u>145,588</u></u>	<u><u>195,129</u></u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF FINANCIAL POSITION OF THE TARGET GROUP

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Equipment	1,136	1,082	487	-
Interests in joint ventures	<u>2,737,766</u>	<u>2,843,024</u>	<u>2,816,857</u>	<u>2,700,287</u>
	<u>2,738,902</u>	<u>2,844,106</u>	<u>2,817,344</u>	<u>2,700,287</u>
Current assets				
Other receivables and prepayments	1,187	987	934	76
Amounts due from fellow subsidiaries	904,727	1,629,594	661,234	646,503
Amount due from intermediate holding company	226,406	-	971,254	1,010,911
Loans to joint ventures	787	106,058	-	-
Bank balances and cash	<u>1,205,132</u>	<u>643,027</u>	<u>193,349</u>	<u>168,818</u>
	<u>2,338,239</u>	<u>2,379,666</u>	<u>1,826,771</u>	<u>1,826,308</u>
Total assets	<u><u>5,077,141</u></u>	<u><u>5,223,772</u></u>	<u><u>4,644,115</u></u>	<u><u>4,526,595</u></u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital of the Target Company	2,000,000	2,000,000	2,000,000	2,000,000
Reserves	<u>2,343,922</u>	<u>2,208,840</u>	<u>1,577,956</u>	<u>1,492,397</u>
Total equity	<u>4,343,922</u>	<u>4,208,840</u>	<u>3,577,956</u>	<u>3,492,397</u>
Non-current liability				
Deferred tax liabilities	<u>25,079</u>	<u>27,514</u>	<u>17,189</u>	<u>12,507</u>
	<u>25,079</u>	<u>27,514</u>	<u>17,189</u>	<u>12,507</u>
Current liabilities				
Other payables and accruals	34,778	28,628	21,131	-
Amount due to fellow subsidiaries	673,362	830,797	1,027,839	1,021,691
Amount due to intermediate holding company	<u>-</u>	<u>127,993</u>	<u>-</u>	<u>-</u>
	<u>708,140</u>	<u>987,418</u>	<u>1,048,970</u>	<u>1,021,691</u>
Total equity and liabilities	<u><u>5,077,141</u></u>	<u><u>5,223,772</u></u>	<u><u>4,644,115</u></u>	<u><u>4,526,595</u></u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET GROUP

	Share capital of the Target Company <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	2,000,000	325,643	1,635,377	3,961,020
Profit for the year	-	-	171,060	171,060
Exchange differences arising on translation to presentation currency	<u>-</u>	<u>211,842</u>	<u>-</u>	<u>211,842</u>
Total comprehensive income for the year	<u>-</u>	<u>211,842</u>	<u>171,060</u>	<u>382,902</u>
At 31 December 2020	<u>2,000,000</u>	<u>537,485</u>	<u>1,806,437</u>	<u>4,343,922</u>
Profit for the year	-	-	482,488	482,488
Exchange differences arising on translation to presentation currency	<u>-</u>	<u>132,430</u>	<u>-</u>	<u>132,430</u>
Total comprehensive income for the year	<u>-</u>	<u>132,430</u>	<u>482,488</u>	<u>614,918</u>
Dividends	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>(750,000)</u>
At 31 December 2021	<u>2,000,000</u>	<u>669,915</u>	<u>1,538,925</u>	<u>4,208,840</u>
Profit for the year	-	-	400,278	400,278
Exchange differences arising on translation to presentation currency	<u>-</u>	<u>(226,903)</u>	<u>-</u>	<u>(226,903)</u>
Total comprehensive (expense) income for the year	<u>-</u>	<u>(226,903)</u>	<u>400,278</u>	<u>173,375</u>
Dividends	<u>-</u>	<u>-</u>	<u>(804,259)</u>	<u>(804,259)</u>
At 31 December 2022	<u><u>2,000,000</u></u>	<u><u>443,012</u></u>	<u><u>1,134,944</u></u>	<u><u>3,577,956</u></u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET GROUP - continued

	Share capital of the Target Company <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023	2,000,000	443,012	1,134,944	3,577,956
Profit for the period	-	-	251,145	251,145
Exchange differences arising on translation to presentation currency	-	<u>(56,016)</u>	-	<u>(56,016)</u>
Total comprehensive (expense) income for the period	<u>-</u>	<u>(56,016)</u>	<u>251,145</u>	<u>195,129</u>
Dividends	<u>-</u>	<u>-</u>	<u>(280,688)</u>	<u>(280,688)</u>
At 30 June 2023	<u><u>2,000,000</u></u>	<u><u>386,996</u></u>	<u><u>1,105,401</u></u>	<u><u>3,492,397</u></u>
At 1 January 2022	2,000,000	669,915	1,538,925	4,208,840
Profit for the period	-	-	233,814	233,814
Exchange differences arising on translation to presentation currency	-	<u>(88,226)</u>	-	<u>(88,226)</u>
Total comprehensive (expense) income for the period	<u>-</u>	<u>(88,226)</u>	<u>233,814</u>	<u>145,588</u>
At 30 June 2022	<u><u>2,000,000</u></u>	<u><u>581,689</u></u>	<u><u>1,772,739</u></u>	<u><u>4,354,428</u></u>

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF CASH FLOWS OF THE TARGET GROUP

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES					
Profit before taxation	183,779	503,420	421,823	245,918	262,843
Adjustments for:					
Depreciation	612	700	575	352	115
Net exchange losses (gains)	40,214	29,288	3,804	(24,522)	(20,991)
Net losses on written-off of equipment	-	-	-	-	368
Interest income	(10,014)	(10,169)	(13,673)	(6,489)	(1,874)
Share of results of joint ventures	<u>(258,442)</u>	<u>(567,045)</u>	<u>(450,588)</u>	<u>(238,098)</u>	<u>(258,241)</u>
Operating cash flow before movements in working capital	(43,851)	(43,806)	(38,059)	(22,839)	(17,780)
(Increase) decrease in other receivables and prepayments	(14)	237	2	(18)	845
Increase (decrease) in other payables and accruals	<u>7,838</u>	<u>(7,239)</u>	<u>(6,025)</u>	<u>(1,264)</u>	<u>(20,845)</u>
Cash used in operations	(36,027)	(50,808)	(44,082)	(24,121)	(37,780)
Income tax paid	<u>(12,056)</u>	<u>(19,636)</u>	<u>(29,642)</u>	<u>(22,997)</u>	<u>(16,016)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(48,083)</u>	<u>(70,444)</u>	<u>(73,724)</u>	<u>(47,118)</u>	<u>(53,796)</u>
INVESTING ACTIVITIES					
Cash distributions from joint ventures	363,766	452,104	414,150	259,294	333,793
Interest received	10,014	10,169	13,673	6,489	1,874
Purchases of equipment	(72)	(623)	(14)	(7)	-
Advance to fellow subsidiaries	(85,282)	(696,526)	-	-	-
Repayment from fellow subsidiaries	-	-	884,552	843,744	5,785
Advance to intermediate holding company	(12,809)	-	(971,254)	(540,210)	(52,797)
Repayment from intermediate holding company	-	233,498	-	-	-

APPENDIX II REVIEWED FINANCIAL INFORMATION OF THE GROUP

UNAUDITED STATEMENTS OF CASH FLOWS OF THE TARGET GROUP - continued

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advance to a joint venture	(787)	-	-	-	-
Repayment from a joint venture	<u>-</u>	<u>787</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>274,830</u>	<u>(591)</u>	<u>341,107</u>	<u>569,310</u>	<u>288,655</u>
FINANCING ACTIVITIES					
Advance from fellow subsidiaries	118,811	136,342	239,769	226,774	7,757
Advance from intermediate holding company	-	127,993	-	-	-
Repayment to intermediate holding company	-	-	(121,411)	(125,572)	-
Dividends paid	<u>-</u>	<u>(750,000)</u>	<u>(804,259)</u>	<u>-</u>	<u>(280,688)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>118,811</u>	<u>(485,665)</u>	<u>(685,901)</u>	<u>101,202</u>	<u>(272,931)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>345,558</u>	<u>(556,700)</u>	<u>(418,518)</u>	<u>623,394</u>	<u>(38,072)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	844,930	1,205,132	643,027	643,027	193,349
Effect of foreign exchange rate changes	<u>14,644</u>	<u>(5,405)</u>	<u>(31,160)</u>	<u>7,236</u>	<u>13,541</u>
CASH AND CASH EQUIVALENTS REPRESENTED BY BANK BALANCES AND CASH AT END OF THE YEAR/PERIOD	<u>1,205,132</u>	<u>643,027</u>	<u>193,349</u>	<u>1,273,657</u>	<u>168,818</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(I) Basis of preparation

In connection with the Disposal, the unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose to illustrate the effect of the Disposal on the Remaining Group's financial position as at 30 June 2023 as if the Disposal had taken place on 30 June 2023; and on the Remaining Group's financial performance and cash flows for the six months ended 30 June 2023 as if the Disposal had taken place on 1 January 2023.

The unaudited pro forma consolidated statement of financial position as at 30 June 2023 and the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the six months ended 30 June 2023 (hereinafter collectively referred to as "Unaudited Pro Forma Financial Information") of the Remaining Group are prepared based on the condensed consolidated statement of financial position of the Group as at 30 June 2023 and the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2023 as extracted from the interim report of the Company for the six months ended 30 June 2023.

The Unaudited Pro Forma Financial Information is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Disposal that are (i) directly attributable to the Disposal and (ii) factually supportable is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to predict what the financial position of the Remaining Group would have been if the Disposal had taken place on 30 June 2023 or at any future dates, or what the financial performance and cash flows of the Remaining Group for the six months ended 30 June 2023 or for any future periods would have been as if the Disposal had taken place on 1 January 2023.

The Unaudited Pro Forma Financial Information should be read in conjunction with, among others, the financial information of the Group and unaudited financial information of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information

Unaudited pro forma consolidated statement of financial position

	The Group as at 30 June 2023	Pro forma adjustments			The Remaining Group as at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 5)</i>	<i>(Note 6)</i>	<i>(Note 7)</i>	(Unaudited)
	(Unaudited)				
ASSETS					
Non-current assets					
Property, plant and equipment	50,524				50,524
Right-of-use assets	36,164				36,164
Investment properties	5,348,474				5,348,474
Interests in associates	1,034,846				1,034,846
Interests in joint ventures	18,618,882	(2,700,287)			15,918,595
Deferred tax assets	240,437				240,437
Amounts due from joint ventures	4,437,866				4,437,866
Amounts due from other non-controlling interests of subsidiaries	302,069				302,069
Loan receivables	2,344,473				2,344,473
Financial assets at fair value through profit or loss ("FVTPL")	<u>588,204</u>				<u>588,204</u>
	<u>33,001,939</u>				<u>30,301,652</u>
Current assets					
Inventory of properties	32,873,954				32,873,954
Prepayment for land leases	1,029,364				1,029,364
Amounts due from joint ventures and associates	2,668,691				2,668,691
Amounts due from other non-controlling interests of subsidiaries	1,089,292				1,089,292
Amount due from intermediate holding company	-	(1,010,911)	1,010,911		-
Amounts due from fellow subsidiaries	-	(646,503)	646,503		-
Loan receivables	74,122				74,122
Debtors, deposits and prepayments	2,585,176	(76)	497,384		3,082,484
Prepaid income tax	1,546,921				1,546,921
Pledged bank deposits	82,457				82,457
Bank balances and cash	<u>7,137,201</u>	(168,818)	4,206,721		<u>11,175,104</u>
	<u>49,087,178</u>				<u>53,622,389</u>
Total assets	<u><u>82,089,117</u></u>				<u><u>83,924,041</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information - continued

Unaudited pro forma consolidated statement of financial position - continued

	The Group as at 30 June 2023 HK\$'000 (Note 1) (Unaudited)	Pro forma adjustments			The Remaining Group as at 30 June 2023 HK\$'000 (Unaudited)
		<i>HK\$'000 (Note 5)</i>	<i>HK\$'000 (Note 6)</i>	<i>HK\$'000 (Note 7)</i>	
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	74,934				74,934
Reserves	<u>18,781,338</u>		1,828,938	(457,235)	<u>20,153,041</u>
	18,856,272				20,227,975
Owners of perpetual capital securities	6,962,375				6,962,375
Other non-controlling interests of subsidiaries	<u>5,141,120</u>			457,235	<u>5,598,355</u>
Total equity	<u>30,959,767</u>				<u>32,788,705</u>
Non-current liabilities					
Bank and other borrowings	20,756,578				20,756,578
Deferred tax liabilities	1,206,632	(12,507)			1,194,125
Financial liabilities at FVTPL	581,947				581,947
Lease liabilities	<u>21,258</u>				<u>21,258</u>
	<u>22,566,415</u>				<u>22,553,908</u>
Current liabilities					
Creditors and accrued charges	6,845,972		18,493		6,864,465
Amounts due to joint ventures and associates	5,453,201				5,453,201
Amounts due to other non-controlling interests of subsidiaries	1,524,838				1,524,838
Amounts due to fellow subsidiaries	-	(1,021,691)	1,021,691		-
Contract liabilities	4,464,042				4,464,042
Lease liabilities	18,285				18,285
Income tax payable	4,585,580				4,585,580
Bank and other borrowings	5,204,813				5,204,813
Financial liabilities at FVTPL	<u>466,204</u>				<u>466,204</u>
	<u>28,562,935</u>				<u>28,581,428</u>
Total equity and liabilities	<u>82,089,117</u>				<u>83,924,041</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information - continued

Unaudited pro forma consolidated statement of profit or loss

	The Group for the six months ended 30 June 2023	Pro forma adjustments			The Remaining Group for the six months ended 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 2)</i>	<i>(Note 8)</i>	<i>(Note 9)</i>	<i>(Note 10)</i>	<i>(Note 11)</i>
	(Unaudited)				(Unaudited)
Revenue					
Property sales and service income	6,176,557				6,176,557
Other revenue	<u>100,419</u>				<u>100,419</u>
Total revenue	6,276,976				6,276,976
Cost of sales	<u>(5,582,880)</u>				<u>(5,582,880)</u>
Gross profit	694,096				694,096
Interest income	167,021				167,021
Other income	101,548	(757)		10,852	111,643
Other gains and losses	(1,066,367)	(20,991)			(1,087,358)
Gain on disposal of subsidiaries	-		2,215,242		2,215,242
Selling expenses	(293,828)				(293,828)
Administrative expenses	(401,171)	17,146		(10,852)	(394,877)
Share of results of associates	7,740				7,740
Share of results of joint ventures	724,360	(258,241)			466,119
Finance costs	<u>(582,235)</u>				<u>(582,235)</u>
(Loss) profit before taxation	(648,836)				1,303,563
Income tax expenses	<u>(232,532)</u>	11,698	(397,714)		<u>(618,548)</u>
(Loss) profit for the period	<u>(881,368)</u>				<u>685,015</u>
(Loss) profit for the period attributable to:					
Owners of the Company	(1,220,253)	(188,359)		1,363,146	(45,466)
Owners of perpetual capital securities	265,929				265,929
Other non-controlling interests of subsidiaries	<u>72,956</u>	(62,786)		454,382	<u>464,552</u>
	<u>(881,368)</u>				<u>685,015</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information - continued

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	The Group for the six months ended 30 June 2023	Pro forma adjustments			The Remaining Group for the six months ended 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 3)</i>	<i>(Note 8)</i>	<i>(Note 9)</i>	<i>(Note 10)</i>	(Unaudited)
	(Unaudited)				
(Loss) profit for the period	(881,368)	(251,145)	1,817,528		685,015
Other comprehensive (expense) income					
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	225,108				225,108
Share of other comprehensive expense of joint ventures	4,329				4,329
<i>Item that will not be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation to presentation currency	(421,683)	56,016			(365,667)
Other comprehensive expense for the period	<u>(192,246)</u>				<u>(136,230)</u>
Total comprehensive (expense) income for the period	<u>(1,073,614)</u>				<u>548,785</u>
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company	(1,390,142)	(146,347)		1,363,146	(173,343)
Owners of perpetual capital securities	265,929				265,929
Other non-controlling interests of subsidiaries	<u>50,599</u>	<u>(48,782)</u>		<u>454,382</u>	<u>456,199</u>
	<u>(1,073,614)</u>				<u>548,785</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information - continued

Unaudited pro forma consolidated statement of cash flows

	The Group for the six months ended 30 June 2023	Pro forma adjustments			The Remaining Group for the six months ended 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 4)</i>	<i>(Note 12)</i>	<i>(Note 13)</i>	<i>(Note 11)</i>	<i>(Note 14)</i>
	(Unaudited)				(Unaudited)
Operating activities					
Operating cash flows before movements in working capital	121,556	17,780			139,336
Decrease in debtors, deposits and prepayments	67,205	(845)			66,360
Decrease in inventory of properties	4,104,357				4,104,357
Decrease in creditors and accrued charges	(1,288,787)	20,845			(1,267,942)
Increase in contract liabilities	534,970				534,970
Payment for land leases	(1,029,364)				(1,029,364)
Cash generated from operations	2,509,937				2,547,717
Income tax paid	(768,908)	16,016	(397,714)		(1,150,606)
Net cash from operating activities	1,741,029				1,397,111
Investing activities					
Cash distributions/dividends received from joint ventures	389,036	(333,793)			55,243
Net cash inflow from acquisition of a subsidiary	2,363				2,363
Net proceeds from disposal of subsidiaries	-		4,490,994		4,490,994
Advances to other non-controlling interests of subsidiaries	(232,018)				(232,018)
Repayment from other non-controlling interests of subsidiaries	254,115				254,115
Advances to joint ventures	(997,635)				(997,635)
Repayment from joint ventures	3,258,265				3,258,265
Repayment from fellow subsidiaries	-	(5,785)		5,785	-
Advance to intermediate holding company	-	52,797		(52,797)	-
Placement of pledged bank deposits	(12,363)				(12,363)
Withdrawal of pledged bank deposits	48,088				48,088
Placement of restricted bank balances	(448,200)				(448,200)
Withdrawal of restricted bank balances	314,566				314,566
Capital contributions to joint ventures	(39,957)				(39,957)
Capital reductions in joint ventures	114,286				114,286
Settlement of consideration payables	(10,526)				(10,526)
Other investing cash flows	134,907	(1,874)			133,033
Net cash from investing activities	2,774,927				6,930,254

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(II) Unaudited Pro Forma Financial Information - continued

Unaudited pro forma consolidated statement of cash flows - continued

	The Group for the six months ended 30 June 2023	Pro forma adjustments					The Remaining Group for the six months ended 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(Note 4)</i>	<i>(Note 12)</i>	<i>(Note 13)</i>	<i>(Note 11)</i>	<i>(Note 14)</i>	<i>(Unaudited)</i>	
	<i>(Unaudited)</i>						
Financing activities							
New borrowings raised	1,131,219					1,131,219	
Repayment of borrowings	(7,259,327)					(7,259,327)	
Repayment of lease liabilities including related interests	(10,384)					(10,384)	
Capital contributions from a non-controlling interests of a subsidiary	16					16	
Advances from other non-controlling interests of subsidiaries	380,425					380,425	
Repayment to other non-controlling interests of subsidiaries	(340,361)					(340,361)	
Advances from joint ventures and associates	934,590					934,590	
Repayment to joint ventures and associates	(37,364)					(37,364)	
Distributions paid for owners of perpetual capital securities	(264,812)					(264,812)	
Advance from fellow subsidiaries	-	(7,757)		7,757		-	
Dividends paid	-	280,688		(280,688)		-	
Interest paid	(965,024)					(965,024)	
Net cash paid for participation rights designated at FVTPL	(5,080)					(5,080)	
Cash received from sale loan with redemption right designated at FVTPL	800,000					800,000	
Cash paid for contingent consideration designated at FVTPL	(29,801)					(29,801)	
Net cash used in financing activities	<u>(5,665,903)</u>					<u>(5,665,903)</u>	
Net (decrease) increase in cash and cash equivalents	(1,149,947)					2,661,462	
Cash and cash equivalents at beginning of the period	7,371,621	(193,349)			193,349	7,371,621	
Effect of foreign exchange rate changes	(99,729)	(13,541)				(113,270)	
Cash and cash equivalents at end of the period	6,121,945					9,919,813	
Add: designated bank balances	1,015,256					1,015,256	
Total bank balances and cash	<u><u>7,137,201</u></u>					<u><u>10,935,069</u></u>	

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(III) Notes to the Unaudited Pro Forma Financial Information

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.
2. The amounts are extracted from the unaudited condensed consolidated statement of profit or loss of the Group for the six months ended 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.
3. The amounts are extracted from the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.
4. The amounts are extracted from the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.
5. The adjustments represent the de-recognition of assets and liabilities of the Target Group as at 30 June 2023 assuming the Disposal had taken place on 30 June 2023. The assets and liabilities of the Target Group are extracted from the unaudited statements of financial position of the Target Group as set out in note 3 of Appendix II to this circular.
6. The adjustments represent the recognition of the post-tax estimated gain on the Disposal and other items as if the Disposal had taken place on 30 June 2023. The post-tax estimated gain on the Disposal is calculated as follows:

	<i>RMB'000</i>	<i>HK\$'000</i>
		<i>(note (vii))</i>
Consideration <i>(note (i))</i>	4,411,800	4,973,844
Less: Net assets of the Target Group as at 30 June 2023 <i>(note (ii))</i>	(3,097,756)	(3,492,397)
Add: Adjustment to other payables <i>(note (iii))</i>	(16,403)	(18,493)
Add: Adjustment to current accounts and settlement of bank balances <i>(note (iv))</i>	713,628	804,541
Less: Estimated costs and expenses of the Disposal <i>(note (v))</i>	<u>(41,000)</u>	<u>(46,223)</u>
 Estimated gain on the Disposal	 1,970,269	 2,221,272
Less: Estimated income tax <i>(note (vi))</i>	<u>(348,000)</u>	<u>(392,334)</u>
	 <u>1,622,269</u>	 <u>1,828,938</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

The estimated net cash inflow immediate after the Disposal as if it had taken place on 30 June 2023 is analysed below:

	<i>RMB'000</i>	<i>HK\$'000</i> <i>(note (vii))</i>
Total consideration <i>(note (i))</i>	4,411,800	4,973,844
Less: Remainder Consideration included in debtors <i>(note (i))</i>	(441,180)	(497,384)
Add: Settlement of bank balances <i>(note (iv))</i>	149,742	168,818
Less: Estimated costs and expenses of the Disposal <i>(note (v))</i>	(41,000)	(46,223)
Less: Estimated income tax <i>(note (vi))</i>	<u>(348,000)</u>	<u>(392,334)</u>
	<u>3,731,362</u>	<u>4,206,721</u>

Notes:

- (i) Pursuant to the SPA (as defined in this circular), the cash consideration payable by the Purchaser (as defined in this circular) is RMB4,411.8 million (equivalent to approximately HK\$4,973.8 million) (the “Preliminary Consideration”), subject to downward adjustments based on post completion accounts. The factors in respect of the downward adjustments are specified in the SPA. The consideration for the Disposal will be settled by the Purchaser by the way that 90% of the Preliminary Consideration shall be paid on the date of completion of the Disposal; and the remaining 10% of the Preliminary Consideration (the “Remainder Consideration”) shall be paid within 10 business days following the determination of adjustments by reference to completion audit procedures in accordance with the terms of the SPA. In the opinion of management, the downward adjustment is not assumed for the purpose of preparing the unaudited pro forma financial information of the Remaining Group.

- (ii) The amount represents the net assets of the Target Group as at 30 June 2023 which is extracted from the unaudited statements of financial position of the Target Group as set out in note 3 of Appendix II to this circular.

- (iii) The amount represents the cash distribution received by the then subsidiary of the Target Company, which has been transferred to other entities in the Group in July 2023 (as disclosed in note 1 of Appendix II to this circular), on behalf of another subsidiary in the Target Group from a joint venture of the Target Group during the six months ended 30 June 2023 which is agreed to return to the joint venture in cash before completion of the Disposal according to the terms of the appendix attached to the SPA.

- (iv) Pursuant to the appendix attached to the SPA, the current accounts of the Target Group including the amount due from intermediate holding company, amounts due from fellow subsidiaries and amounts due to fellow subsidiaries of a net debit balance of HK\$635.7 million (the “Current Accounts 1”) and the bank balances of HK\$168.8 million (the “Bank Balance 1”) as at 30 June 2023 and arose thereafter have the following arrangements before completion of the reorganisation of the Target Group (as defined in note 1 of Appendix II to this circular):
 - (1) The Current Accounts 1 would be arranged for netting of balances with the companies of the Remaining Group and capital restructuring of Target Company; and
 - (2) The Bank Balances 1 would be transferred to the companies of the Remaining Group.

- (v) The amount includes the estimated costs and expenses related to professional services in respect of the Disposal amounting to HK\$46.2 million which will be borne by the Remaining Group and is assumed to be settled in cash.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

(vi) The amount represents the estimated income tax in respect of the Disposal amounting to HK\$392.3 million which will be borne by the Remaining Group and is assumed to be settled in cash.

(vii) The RMB denominated amounts are converted from RMB to HK\$ at an exchange rate of HK\$1 to RMB0.887 which is the prevailing rate as at 30 June 2023 from a public source. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at all.

The actual financial effects of the Disposal are to be determined based on the consideration and the carrying amount of net assets of the Target Group at the Completion Date, which may be different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

7. The adjustments represent share of the post-tax estimated gain on the Disposal by a non-controlling shareholder, which owns 25% shares in issue of the Seller (as defined in this circular).

8. The adjustments represent (i) the exclusion of the financial performance of the Target Group for the six months ended 30 June 2023; and (ii) the allocation of result and other comprehensive income for the period of the Target Group to the owners of the Company which owns 75% shares in issue of the Seller. The financial performance and other comprehensive income of the Target Group are extracted from the unaudited statements of profit or loss of the Target Group and the unaudited statements of profit or loss and other comprehensive income of the Target Group respectively as set out in note 3 of Appendix II to this circular.

9. The adjustments represent the recognition of the pre-tax estimated gain on the Disposal and the related tax effect as if the Disposal had taken place on 1 January 2023. The post-tax estimated gain on the Disposal is calculated as follows:

	<i>RMB'000</i>	<i>HK\$'000</i>
		<i>(note (vi))</i>
Consideration <i>(note (i))</i>	4,411,800	5,042,057
Less: Net assets of the Target Group as at 1 January 2023 <i>(note (ii))</i>	(3,130,712)	(3,577,956)
Add: Adjustment to current accounts and bank balances <i>(note (iii))</i>	698,248	797,998
Less: Estimated costs and expenses of the Disposal <i>(note (iv))</i>	<u>(41,000)</u>	<u>(46,857)</u>
Estimated gain on the Disposal	1,938,336	2,215,242
Less: Estimated income tax <i>(note (v))</i>	<u>(348,000)</u>	<u>(397,714)</u>
	<u><u>1,590,336</u></u>	<u><u>1,817,528</u></u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

- (i) Pursuant to the SPA, the cash consideration payable by the Purchaser is RMB4,411.8 million (equivalent to approximately HK\$5,042 million), subject to downward adjustments based on post completion accounts. The factors in respect of the downward adjustments are specified in the SPA. The consideration for the Disposal will be settled by the Purchaser by the way that 90% of the Preliminary Consideration shall be paid on the date of completion of the Disposal; and the Remainder Consideration shall be paid within 10 business days following the determination of adjustments by reference to completion audit procedures in accordance with the terms of the SPA. In the opinion of management, the downward adjustment is not assumed for the purpose of preparing the unaudited pro forma financial information of the Remaining Group.
- (ii) The amount represents the net assets of the Target Group as at 31 December 2022 which is extracted from the unaudited statements of financial position of the Target Group as set out in note 3 of Appendix II to this circular.
- (iii) Pursuant to the appendix attached to the SPA, the current accounts of the Target Group including the amount due from intermediate holding company, amounts due from fellow subsidiaries and amounts due to fellow subsidiaries of a net debit balance of HK\$604.7 million (the “Current Accounts 2”) and the bank balances of HK\$193.3 million (the “Bank Balances 2”) as at 31 December 2022 and arose thereafter have the following arrangements before completion of the reorganisation of the Target Group (as defined in note 1 of Appendix II to this circular):
 - (1) The Current Accounts 2 would be arranged for netting of balances with the companies of the Remaining Group and capital restructuring of Target Company; and
 - (2) The Bank Balances 2 would be transferred to the companies of the Remaining Group.
- (iv) The amount includes the estimated costs and expenses in respect of the Disposal amounting to HK\$46.9 million which will be borne by the Remaining Group and is assumed to be settled in cash.
- (v) The amount represents the estimated income tax in respect of the Disposal amounting to HK\$397.7 million which will be borne by the Remaining Group and is assumed to be settled in cash.
- (vi) The RMB denominated amounts are converted from RMB to HK\$ at an exchange rate of HK\$1 to RMB0.875 which is the prevailing rate as at 1 January 2023 from a public source. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at all.

The actual financial effects of the Disposal are to be determined based on the consideration and the carrying amount of net assets of the Target Group at the Completion Date, which may be different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

10. The adjustment represents share of the post-tax estimated gain on the Disposal by a non-controlling shareholder, which owns 25% shares in issue of the Seller.
11. The adjustment represents the reinstatement of intragroup transactions between the Target Group and the Remaining Group, which have been previously eliminated in full on consolidation.
12. The adjustment represents the exclusion of cash flows of the Target Group for the six months ended 30 June 2023 as if the Disposal had taken place on 1 January 2023. The cash flows of the Target Group are extracted from the unaudited statements of cash flows of the Target Group as set out in note 3 of Appendix II to this circular.
13. For the purpose of the unaudited pro forma consolidated statement of cash flows of the Remaining Group, the adjustments represent the net proceeds from the Disposal and payment of related income tax as if the Disposal had taken place on 1 January 2023, which is calculated as follows:

	<i>RMB'000</i>	<i>HK\$'000</i>
Gross proceeds from the Disposal (<i>Note 9(i)</i>)	4,411,800	5,042,057
Less: Remainder Consideration (<i>Note 9(i)</i>)	(441,180)	(504,206)
Less: Estimated costs and expenses of the Disposal (<i>Note 9(iv)</i>)	<u>(41,000)</u>	<u>(46,857)</u>
 Net proceeds from the Disposal	 3,929,620	 4,490,994
Less: Estimated income tax (<i>Note 9(v)</i>)	<u>(348,000)</u>	<u>(397,714)</u>
	 <u><u>3,581,620</u></u>	 <u><u>4,093,280</u></u>

14. Pursuant to the appendix attached to the SPA, the bank balances of the Target Group would be transferred to the companies of the Remaining Group before completion of the reorganisation of the Target Group (as defined in note 1 of Appendix II to this circular).
15. The adjustments mentioned in notes 8, 9, 10 and 11 are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group. The adjustments mentioned in notes 11, 12, 13 and 14 are not expected to have a continuing effect on the unaudited pro forma consolidated statement of cash flows of the Remaining Group.
16. Apart from the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Remaining Group entered into subsequent to 1 January 2023 or 30 June 2023 for the purpose of preparation of the Unaudited Pro Forma Financial Information of the Remaining Group.

**2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP**

Set out below is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Road King Infrastructure Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Road King Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023 and the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the period ended 30 June 2023 and related notes as set out on pages III-1 to III-12 of the circular issued by the Company dated 4 December 2023 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group's financial position as at 30 June 2023 and the Group's financial performance and cash flows for the period ended 30 June 2023 as if the Disposal had taken place as at 30 June 2023 and 1 January 2023 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2023, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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 and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2023 or 1 January 2023 would have been as presented.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 4 December 2023

Set out below is the management discussion and analysis on the continuing operations of the Remaining Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the reporting periods. For further financial information of the Group, please refer to the section headed “Management Discussion and Analysis” of the Company’s annual report for the years ended 31 December 2020, 2021 and 2022 and the Company’s interim report for the six months ended 30 June 2023.

SEGMENTAL INFORMATION

Following the Disposal, the Remaining Group will continue to engage in property development and investment in the PRC and Hong Kong as well as the investment in, and the development, operation and management of toll roads through infrastructure joint ventures in Indonesia.

RESULTS OF OPERATION

For the six months ended 30 June 2023

Revenue. The Remaining Group’s revenue increased by 26.2% to HK\$6,277.0 million for the six months ended 30 June 2023 from HK\$4,972.9 million for the same period of 2022, which was mainly due to the increase in GFA delivered during the period.

Cost of sales. The Remaining Group’s cost of sales increased by 76.4% to HK\$5,582.9 million for the six months ended 30 June 2023 from HK\$3,165.3 million for the same period of 2022. The increase in cost of sales was mainly attributable to the increase in GFA delivered during the period.

Gross profit. The Remaining Group’s gross profit decreased by 61.6% to HK\$694.1 million for the six months ended 30 June 2023 from HK\$1,807.6 million for the same period of 2022. The Remaining Group’s gross profit margin decreased to 11.1% for the six months ended 30 June 2023 compared to 36.3% for the same period in 2022. The higher gross profit margin for the corresponding period of last year was mainly due to the delivery of certain high gross profit margin projects and cost savings in settlement of previously completed projects.

Interest income. The Remaining Group’s interest income decreased by 24.3% to HK\$167.0 million for the six months ended 30 June 2023 from HK\$220.7 million for the same period of 2022. The drop for the six months ended 30 June 2023 was mainly attributed by the decrease in interest income from joint ventures.

Other income. The Remaining Group’s other income increased by 8.2% to HK\$100.8 million for the six months ended 30 June 2023 from HK\$93.2 million for the same period of 2022. The increase was mainly attributable to the increase in government subsidy income in the first half of 2023.

Other gains and losses. The Remaining Group's other losses increased by 78.2% to HK\$1,087.4 million for the six months ended 30 June 2023 from HK\$610.2 million for the same period of 2022. The increase was mainly due to the increase in impairment provision for properties and related assets during the period.

Selling expenses. The Remaining Group's selling expenses increased by 19.9% to HK\$293.8 million for the six months ended 30 June 2023 from HK\$245.0 million for the six months ended 30 June 2022. The increase was mainly attributed by the surge of property sales, which resulted in the corresponding increase in sales commission and promotional expenses.

Administrative expenses. The Remaining Group's administrative expenses increased by 8.1% to HK\$384.0 million for the six months ended 30 June 2023 from HK\$355.3 million for the same period of 2022. The increase was mainly attributable to the fact that the existing projects of the Remaining Group's subsidiaries have been completed and delivered successively and the number of newly acquired projects decreased, the expenses eligible for capitalization dropped, which led to an increase in overall administrative expenses for the period.

Share of results of joint ventures and associates. The Remaining Group's share of results of joint ventures and associates increased by 139.5% to HK\$473.9 million for the six months ended 30 June 2023 from HK\$197.9 million for the same period of 2022. The increase was mainly due to the fact that the handover consent had been obtained by Southland, Hong Kong in last December and the pre-sold units were gradually delivered since the end of last year. In the first half of 2023, the value of properties delivered in Southland amounted to HK\$10,638 million, which contributed profit to the Group.

(Loss)profit for the period. The Remaining Group's loss for the period was HK\$1,132.5 million for the six months ended 30 June 2023 while the profit for the same period of 2022 was HK\$235.1 million. The loss for the period was primarily attributable to: (i) the severe operating environment in the real estate industry, causing the reduction in profit margin of the property projects and the increase in impairment provision for properties and related assets; and (ii) the exchange loss of HK\$525.1 million arisen from the continuous depreciation of Renminbi during the period.

For the year ended 31 December 2022

Revenue. The Remaining Group's revenue decreased by 30.5% to HK\$17,156.0 million in 2022 from HK\$24,677.9 million in 2021. The decrease was mainly due to decrease in GFA delivered during the year.

Cost of sales. The Remaining Group's cost of sales decreased by 26.3% to HK\$14,211.7 million in 2022 from HK\$19,278.9 million in 2021. The decrease was in line with the decrease in revenue.

Gross profit. The Remaining Group's gross profit decreased by 45.5% to HK\$2,944.3 million in 2022 from HK\$5,399.0 million in 2021. The Remaining Group's gross profit margin decreased to 17.2% in 2022 compared to 21.9% in 2021. The decrease was mainly due to the fact that the properties delivered in 2022 had higher development costs than those delivered in 2021.

Interest income. The Remaining Group's interest income increased by 28.4% to HK\$382.1 million in 2022 from HK\$297.5 million in 2021. The increase was mainly attributable to the increase in interest income from joint ventures.

Other income. The Remaining Group's other income decreased by 36.9% to HK\$116.1 million in 2022 from HK\$183.9 million in 2021. The decrease was mainly attributable to the decrease in project management income.

Other gains and losses. The Remaining Group's other net losses for 2022 was HK\$683.5 million while the other net gains for 2021 was HK\$112.2 million. Other net losses for the year was mainly included the net exchange losses of approximately HK\$1,331.6 million (2021: net exchange gains of HK\$567.8 million), arising from the significant depreciation of Renminbi against the US dollar during the year. In addition, there was an increase in impairment provision for properties and related assets for the year, which was partially offset by gains on buyback of the Group's senior notes of approximately HK\$1,367.0 million.

Selling expenses. The Remaining Group's selling expenses decreased by 22.1% to HK\$702.2 million in 2022 from HK\$901.0 million in 2021. The decrease was primarily due to the decrease in property sales volume and the corresponding decrease in sales commission and marketing expenses of the Remaining Group as a result of the repeated situation of the pandemic in various cities in Mainland China during the year.

Administrative expenses. The Remaining Group's administrative expenses decreased by 2.2% to HK\$885.7 million in 2022 from HK\$905.3 million in 2021.

Share of results of joint ventures and associates. The Remaining Group's share of results of joint ventures and associates decreased by 1.4% to HK\$648.6 million in 2022 from HK\$657.7 million in 2021.

Profit for the year. The Remaining Group's profit for the year decreased by 96.1% to HK\$58.3 million in 2022 from HK\$1,502.0 million in 2021. The decrease was primarily attributable to the exchange losses of approximately HK\$1,331.6 million arisen from the significant depreciation of Renminbi during the year. In addition, the results of the year were also impacted by pandemic prevention measures and sluggish property market, which resulted in the reduction in delivery area and profit margin of the properties; as well as the increase in impairment provision for properties and related assets as compared with last year, but offset by the gains on repurchase of the Group's senior notes.

For the year ended 31 December 2021

Revenue. The Remaining Group's revenue increased by 2.0% to HK\$24,678.0 million in 2021 from HK\$24,196.1 million in 2020. The increase was mainly attributable to the increase in average selling price of our properties delivered during the year.

Cost of sales. The Remaining Group's cost of sales increased by 9.0% to HK\$19,278.9 million in 2021 from HK\$17,689.5 million in 2020. The increase was mainly due to higher development costs for GFA delivered during the year than those delivered in 2020.

Gross profit. The Remaining Group's gross profit decreased by 17.0% to HK\$5,399.0 million in 2021 from HK\$6,506.6 million in 2020. The Remaining Group's gross profit margin decreased to 21.9% in 2021 compared to 26.9% in 2020. The decrease was mainly due to the fact that the properties delivered in 2021 had higher development costs than those delivered in 2020.

Interest income. The Remaining Group's interest income increased by 26.8% to HK\$297.5 million in 2021 from HK\$234.6 million in 2020. The increase was mainly attributable to the increase in interest income on bank deposits.

Other income. The Remaining Group's other income increased by 121.0% to HK\$183.9 million in 2021 from HK\$83.2 million in 2020. The increase was mainly attributable to the increase in project management fee income recognised in 2021.

Other gains and losses. Other gains decreased by 62.6% to HK\$112.2 million in 2021 from HK\$299.9 million in 2020. Such decrease was mainly due to the volatility of the value of Renminbi against US dollars during the period, resulting in decrease in net exchange gains and related differences (from gains of HK\$1,019.3 million in 2020 to gain of HK\$567.8 million in 2021). Such decrease in gain was partially offset by the decrease in losses in fair value of investment properties (from losses of HK\$185.3 million in 2020 to losses of HK\$42.8 million in 2021).

Selling expenses. The Remaining Group's selling expenses increased by 18.1% to HK\$901.0 million in 2021 from HK\$763.2 million in 2020. The increase was primarily due to the increase in promotion and advertising activities launched for our property development projects, especially more online promotions launched due to the outbreak of COVID-19 pandemic.

Administrative expenses. The Remaining Group's administrative expenses decreased by 1.3% to HK\$905.3 million in 2021 from HK\$916.8 million in 2020.

Share of results of joint ventures and associates. The Remaining Group's share of results of joint ventures and associates increased by 136.4% to HK\$657.7 million in 2021 from HK\$278.2 million in 2020. Such increase was primarily attributable to the increase in delivery profit from property development projects in 2021. In addition, the increase was partially due to three expressways in Indonesia successfully secured toll rate increments and the savings in interest expenses on bank loans due to the significant decrease in interest rates of bank loans in Indonesia.

Profit for the year. The Remaining Group's profit for the year decreased by 42.5% to HK\$1,502.0 million in 2021 from HK\$2,612.5 million in 2020. The decrease was mainly due to the significant increase in cost of sales due to higher development costs for such GFA than those delivered in 2020.

For the year ended 31 December 2020

Revenue. The Remaining Group's revenue increased by 12.6% to HK\$24,196.1 million in 2020 from HK\$21,494.8 million in 2019. The increase was mainly attributable to the increase in average selling price during the year.

Cost of sales. The Remaining Group's cost of sales increased by 26.5% to HK\$17,689.5 million in 2020 from HK\$13,985.9 million in 2019. The increase was reflective of higher development costs for GFA than those delivered in 2019.

Gross profit. The Remaining Group's gross profit decreased by 13.3% to HK\$6,506.6 million in 2020 from HK\$7,508.9 million in 2019. The Remaining Group's gross profit margin decreased to 26.9% in 2020 compared to 34.9% in 2019. The decrease was mainly due to the fact that the properties delivered in 2020 had higher development costs than those delivered in 2019.

Interest income. The Remaining Group's interest income decreased by 51.7% to HK\$234.6 million in 2020 from HK\$485.6 million in 2019. The decrease was mainly due to the decrease in interest bearing loans to our joint ventures during the year.

Other income. The Remaining Group's other income decreased by 29.1% to HK\$83.2 million in 2020 from HK\$117.4 million in 2019. The decrease was mainly attributable to the decrease in project management fee income recognised in 2020.

Other gains and losses. Other losses of HK\$111.8 million in 2019 reversed to other gains of HK\$299.9 million in 2020. Such reversal was mainly due to the volatility of the value of Renminbi against US dollars during the period, resulting in a net exchange gains and related differences amounting to HK\$1,019.3 million. Such gain was partially offset by the decrease in fair value of investment properties (from gains of HK\$18.4 million in 2019 to losses of HK\$185.3 million in 2020), as well as the loss in fair value of financial liabilities at FVTPL (from gains of HK\$142.1 million in 2019 to losses of HK\$229.6 million in 2020).

Selling expenses. The Remaining Group's selling expenses increased by 33.2% to HK\$763.2 million in 2020 from HK\$572.9 million in 2019. The increase was primarily due to the increase in promotion and advertising activities launched for our property development projects, especially more online promotions launched due to the outbreak of COVID-19 pandemic.

Administrative expenses. The Remaining Group's administrative expenses decreased by 6.7% to HK\$916.8 million in 2020 from HK\$982.3 million in 2019.

Share of results of joint ventures and associates. The Remaining Group's share of results of joint ventures and associates decreased by 63.2% to HK\$278.2 million in 2020 from HK\$756.4 million in 2019. The decrease was mainly attributable to the decrease in delivery of high margin property joint venture projects.

Profit for the year. The Remaining Group's profit for the year decreased by 18.9% to HK\$2,612.5 million in 2020 from HK\$3,223.1 million in 2019. The decrease was mainly due to the increase in cost of sales due to higher development costs for such GFA than those delivered in 2019 as well as the decrease in interest income during the year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2023, the Remaining Group's net asset value attributable to owners of the Company amounted to HK\$15,363.9 million.

The consideration payable by the Purchaser to the Remaining Group in respect of the Disposal is HK\$4,973.8 million, subject to adjustments disclosed in the Letter from the Board. The income tax and expenses attributable to the Disposal are estimated to be approximately HK\$392.3 million and HK\$46.2 million.

Cash flows

The Remaining Group funds its short-term working capital requirements through cash flow from operations, working capital facilities and long-term borrowings. As of 31 December 2020, 2021, 2022 and 30 June 2023, the Remaining Group had cash and cash equivalents of HK\$10,977.9 million, HK\$10,789.4 million, HK\$7,178.3 million and HK\$5,953.1 million, respectively. These sources of funding, and ability to fund capital expenditure needs, could be adversely affected by a decrease in cash received from pre-sale and sale of our properties or an inability to obtain funds from external sources on acceptable terms or in a timely manner.

Operating activities

The Remaining Group generated HK\$6,481.1 million, HK\$2,181.6 million and 1,794.8 million of net cash from operating activities in 2021, 2022 and the first half of 2023. The net cash generated from operating activities was mainly attributable to the cash proceeds from the pre-sale and sales of properties. The decrease was mainly due to the adjustment on pre-sale property portfolio, resulting in the increase in both pre-sale and sale of joint venture property projects during the period and the decrease in cash proceeds received from both presale and sale of the Remaining Group's wholly-owned property projects. In 2020, the Remaining Group used HK\$954.7 million in operating activities, which was mainly for payment for new land premium.

Investing activities

In 2020 and 2021, we used HK\$5,581.8 million and HK\$4,487.4 million of net cash in investing activities, respectively. In 2022 and the first half of 2023, we generated HK\$1,965.0 million and HK\$2,767.0 million net cash from investing activities respectively.

In 2020, the net cash used in investing activities was mainly attributable to the advance and capital contribution to joint ventures and non-controlling interests of subsidiaries amounting to HK\$10,460.0 million. Such cash outflow was partially offset by the repayment received from our joint ventures that amounted to HK\$5,766.5 million.

In 2021, the net cash used in investing activities was mainly attributable to the advance and capital contribution to joint ventures and non-controlling interests of subsidiaries amounting to HK\$10,773.2 million. Such cash outflow was partially offset by the HK\$552.6 million of cash distribution/dividend received from our joint ventures and the repayment received from our joint ventures that amounted to HK\$4,886.2 million.

In 2022, the net cash generated from investing activities was mainly attributable to the repayment received from our joint ventures that amounted to HK\$5,470.0 million. Such cash inflow was partially offset by the advance to joint ventures amounting to HK\$2,387.4 million and acquisition of interests in joint ventures amounting to HK\$1,984.0 million.

In the first half of 2023, the net cash generated from investing activities was mainly attributable to the repayment received from our joint ventures that amounted to HK\$3,258.3 million. Such cash inflow was partially offset by the advance to joint ventures amounting to HK\$997.6 million.

Financing activities

In 2020, the Remaining Group generated HK\$4,455.0 million of net cash from financing activities. In 2021, 2022 and the first half of 2023, the Remaining Group used HK\$2,569.2 million, HK\$7,200.9 million and HK\$5,673.7 million of net cash in financing activities respectively.

In 2020, the net cash generated from financing activities was mainly attributed to the net increase in borrowings amounting to HK\$7,198.4 million which was partially offset by the interest payment, dividend and distribution paid amounting to HK\$3,584.5 million.

The net cash outflow in 2021 was mainly due to the repayment of borrowings of HK\$20,040.7 million, interest payment of HK\$2,335.5 million and dividend payment of HK\$524.5 million. The net cash outflow was partially offset by new borrowings of HK\$19,870.3 million and the net advance from joint ventures, associates and other non-controlling interests of subsidiaries of HK\$929.4 million during the year.

The net cash outflow in 2022 was mainly due to the repayment of borrowings of HK\$10,114.2 million, interest payment of HK\$2,168.0 million and distribution payment of HK\$529.9 million. The net cash outflow was partially offset by new borrowings of HK\$4,794.3 million and the net advance from joint ventures, associates and other non-controlling interests of subsidiaries of HK\$1,758.1 million during the year.

The net cash outflow in the first half of 2023 was mainly due to the repayment of borrowings of HK\$7,259.3 million and interest payment of HK\$965.0 million. The net cash outflow was partially offset by new borrowings of HK\$1,131.2 million and cash receipt from redemption right of HK\$800.0 million during the period.

NET GEARING RATIO

Net gearing ratio represents the difference between the Remaining Group's total interest bearing borrowings (excluding amounts due to other non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. As at 31 December 2020, 2021, 2022 and 30 June 2023, the net gearing ratio of the Remaining Group were 82%, 78%, 77% and 64%, respectively.

FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Remaining Group had provided guarantees of HK\$8,879.6 million, HK\$8,398.0 million, HK\$6,800.9 million and HK\$5,432.6 million to banks in respect of the mortgage loans of the purchasers of the Remaining Group's properties, respectively. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Remaining Group had also provided guarantees of HK\$2,894.4 million, HK\$3,814.3 million, HK\$3,830.6 million and HK\$2,234.1 million for banking facilities granted to the joint ventures of the Remaining Group.

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Remaining Group had also provided guarantees of HK\$286.2 million, HK\$283.4 million, HK\$257.6 million and HK\$243.1 million for banking facilities granted to the joint venture of Target Group.

CAPITAL STRUCTURE

The Remaining Group manages its capital to ensure that entities in the Remaining Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Remaining Group's overall strategy remains unchanged throughout the reporting periods.

The capital structure of the Remaining Group consists of debts, which include bank and other borrowings and lease liabilities, and equity comprising issued capital and reserves, owners of perpetual capital securities and other non-controlling interests of subsidiaries.

The management of the Remaining Group reviews the capital structure periodically. As part of this review, the management assesses the annual budget which incorporates the planned construction projects and takes into account of the provision of funding. Based on the proposed annual budget, the management considers the cost of capital and the risks associated with the capital. The Remaining Group's management also balances its overall capital structure through the payment of dividends, the issue of new share as well as new debts or the redemption of existing debts.

The management of the Remaining Group monitors the utilisation of bank and other borrowings and its compliance with loan covenants regularly. As at 30 June 2023, 64% of the Remaining Group's bank and other borrowings bear interest at fixed rate ranging from 5.125% to 15%.

CAPITAL COMMITMENT

As at 31 December 2020, 2021, 2022 and 30 June 2023, the Remaining Group's capital injection into property joint ventures contracted for but not provided in the consolidated financial statements amounted to HK\$361.3 million, HK\$59.2 million, HK\$55.5 million and HK\$54.7 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023, the Remaining Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the reporting periods.

EMPLOYMENT AND REMUNERATION POLICY

Excluding the staff of joint ventures and associates, the Remaining Group had 4,780, 4,817, 4,328 and 4,167 employees as at 31 December 2020, 2021, 2022 and 30 June 2023 respectively. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$1,125.0 million, HK\$1,278.0 million, HK\$1,091.6 million and HK\$466.7 million respectively.

Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme.

CHARGE ON ASSETS

As at 31 December 2020, 2021, 2022 and 30 June 2023, bank balances of HK\$114.8 million, HK\$113.4 million, HK\$119.8 million and HK\$82.5 million were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Remaining Group's property projects and banking credit facilities granted to the Remaining Group. In addition to these pledged bank deposits, properties with carrying value of HK\$12,279.2 million, HK\$10,240.8 million, HK\$11,927.5 million and HK\$9,144.0 million were pledged as security for certain loan facilities.

As at 31 December 2022 and 30 June 2023, the Remaining Group's borrowings with outstanding principal amount of HK\$2,372.9 million and HK\$2,372.7 million were secured by the pledges of the equity shares of certain subsidiaries and joint ventures of the Company.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS AND INTEREST RATES***Foreign currency risk***

The Group's borrowings are mainly denominated in Renminbi and US dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar.

The Remaining Group does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Interest rate risk

The Remaining Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by Mainland China and the US governments continue to have a major impact on the Remaining Group's results and operation, the Directors consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operation of the Group.

The Remaining Group does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The following is the text of a letter dated 17 November 2023 received from RHL Appraisal Limited, an independent valuer, in connection with the valuation as at 31 August 2023 on the Sale Shares, for the purpose of incorporation in this circular.



Re: Business Valuation of 100% Equity Interest of Road King (China) Infrastructure Limited (BVI) as at 31 August 2023

In accordance with the instructions of **Road King Expressway International Holdings Limited** (the “**Client**”), which is a subsidiary of Road King Infrastructure Limited (listed on the Stock Exchange of Hong Kong with stock code: 001098.HK), we **RHL Appraisal Limited** (“**RHL**”) have undertaken a valuation to determine the fair value of **100% equity interest** (the “**Interest**”) of Road King (China) Infrastructure Limited (BVI) (the “**Target Company**”) as at **31 August 2023** (the “**Valuation Date**”) regarding the proposed disposal transaction of the Interest of the Target Company.

Introduction

This report has been prepared in accordance with instructions from the Client to determine the fair value of the Interest as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

Background of the Target Company

Road King (China) Infrastructure Limited (BVI) is an investment holding company with equity interest in the following companies (the “**Companies**”) that manage and operate toll road in China.

- 40% equity interest in Hebei Baojin Expressway Company Limited (indirectly via a BVI company) that manages and operates Baoding - Tianjin Expressway (“**Baojin**”);
- 43.17% equity interest in Hunan Changyi Expressway Company Limited (indirectly via BVI companies) that manages and operates the Changsha - Yiyang Expressway (“**Changyi**”);
- 45% equity interest in Jinzhong Longcheng Expressway Company Limited that manages and operates Yuci Longbai Village - Chengzhao Qi County Expressway (“**Longcheng**”);
- 49% equity interest in Anhui Machao Expressway Company Limited that manages and operates Expressway from Ma’anshan to Chaohu in Anhui province (“**Machao**”);

On 17 November 2023, Road King Expressway International Holdings Limited (the “**Seller**”) entered into the conditional sale and purchase of shares agreement with Cornerstone Holdings Limited (the “**Buyer**”), pursuant to which the Buyer has conditionally agreed to purchase, and the Seller have conditionally agreed to sell, the 100% equity interest in the Target Company. The consideration payable by the Buyer is RMB 4,411,800,000.

The Buyer is a company incorporated in Hong Kong with limited liability. It is an investment holding company wholly owned by China Merchants Expressway Network & Technology Holdings Co., Ltd., a company established in the People’s Republic of China (PRC) with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 001965.SZ), which is principally engaged in the investment in infrastructure business of toll roads.

Purpose of Valuation

The purpose of this valuation is to express an independent opinion on the fair value of the Interest as at the Valuation Date solely for the use for the purpose for reference and publication in a circular and dispatch in the website of Hong Kong Stock Exchange for public use by the management of the Client regarding the proposed disposal of 100% equity interest of the Target Company.

Basis of Valuation

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*”

Basis of Opinion

The valuation procedure includes review of the financial and economic condition of the subject business, an assessment of key assumptions, estimates, and representations made by the management of the Client and the Target Company (the “**Management**”). All matters essential to the proper understanding of the valuation are disclosed in the valuation report.

The following factors also form a considerable part of our basis of opinion:

- The business nature of the Target Company;
- Consideration and analysis on the micro-economic and macro-economic factors;
- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Assessment on the leverage and liquidity of the subject business.

In arriving at our opinion, we have assumed and relied extensively upon the accuracy and completeness of the information provided to us by the Management such as financial statements, documents, oral conversation through correspondences.

We also conducted research using various sources including governmental statistical releases and other publications to verify the information provided and we have no reason to doubt the accuracy of the data and information.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are highly uncertain and beyond our control or the control of any party involved in this valuation exercise.

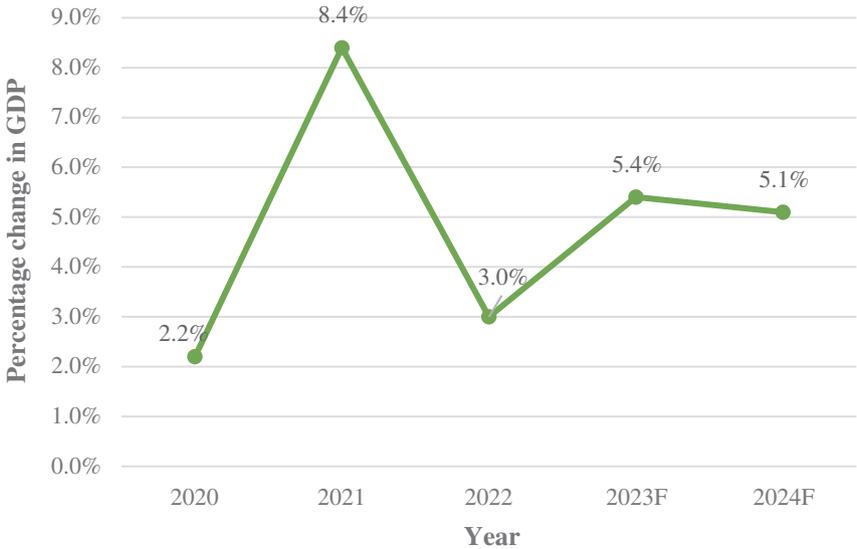
We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject business. We believe that our valuation provides a reasonable basis for our opinion.

Economic and Industry Overview

Economic Overview of China

China is the 2nd largest economy in the world with a gross domestic product (GDP) reached US\$17.96 trillion and GDP growth of 3.0% in 2022. According to the Organization for Economic Co-Operation and Development (OECD), the China’s economic growth will rebound to 5.4% in 2023 and 5.1% in 2024. The lifting of zero-COVID restrictions has unleashed pent-up demand for in-person services, boosting revenue in service industries like tourism and entertainment that were hard hit by previous lockdowns. The government’s easing of housing-related prudential regulations and lower mortgage costs have helped to stabilize property sales, while the carryover of sizeable infrastructure projects from the previous year is poised to boost the construction sector. However, export growth is expected to be tempered by weak global demand, while consumer price inflation is likely to remain benign due to a moderate recovery of domestic demand¹

Chart 1: GDP Growth of China (2020 - 2024F)



Sources: *Economic Outlook Note — China (June 2023) by OECD*

¹ Economic Outlook Note China (June 2023) by OECD
<https://issuu.com/oecd.publishing/docs/china-oecd-economic-outlook-june-2023?fr=sYWExYTUwNTY2MTA>

Economic Overview of Hebei Province (Baojin)

Hebei province is a coastal province in northern China, bordering Beijing and Tianjin, Shandong to the east, Shanxi to the west, and Inner Mongolia to the north. It is 7th most populous province in China, with a population of over 75 million in 2022. The provincial capital is Shijiazhuang. Hebei's GDP was RMB4,237 billion in 2022 and ranked 12th in China.

Civil-use car ownership in Hebei province grew steadily at a compound annual growth rate (CAGR) of 7% between 2018 and 2021, surpassing 19 million vehicles in 2021.

Chart 2: GDP Growth of Hebei Province (2018-2022)



Source: Statistical Communique of the People's Republic of China on National Economic and Social Development of Hebei (2018-2022). Statistical Yearbooks of Hebei (2018-2022)

Chart 3: Civil-use Car Ownership in Hebei Province (2018-2021)



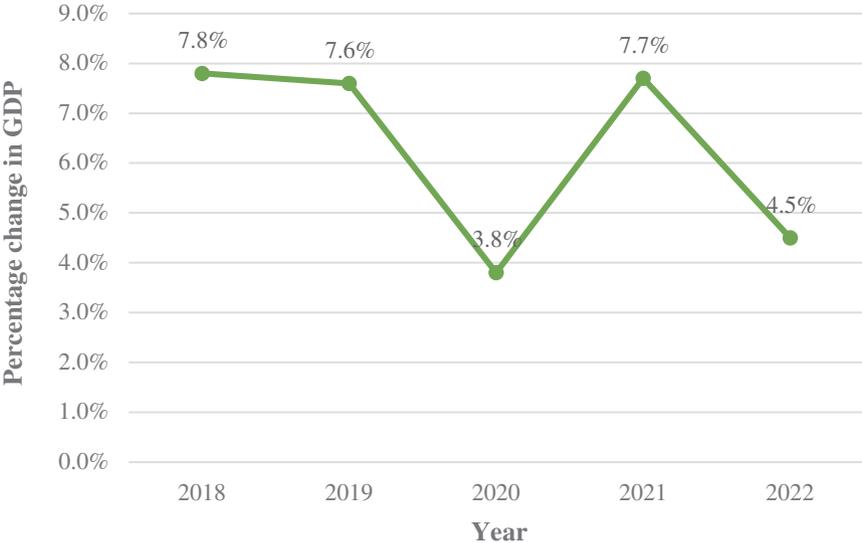
Sources: Statistical Communique of the People's Republic of China on National Economic and Social Development of Hebei (2018-2021). Statistical Yearbooks of Hebei (2018-2021)

Economic Overview of Hunan Province (Changyi)

Hunan province is a landlocked province in central China. It is bordered by Hubei to the north, Jiangxi to the east, Guangdong and Guangxi to the south, and Guizhou and Chongqing to the west. It is 9th populous province in China, with a population of around 66 million in 2022. The provincial capital is Changsha. Hunan’s GDP was RMB 4,867 billion in 2022 and ranked 9th in China.

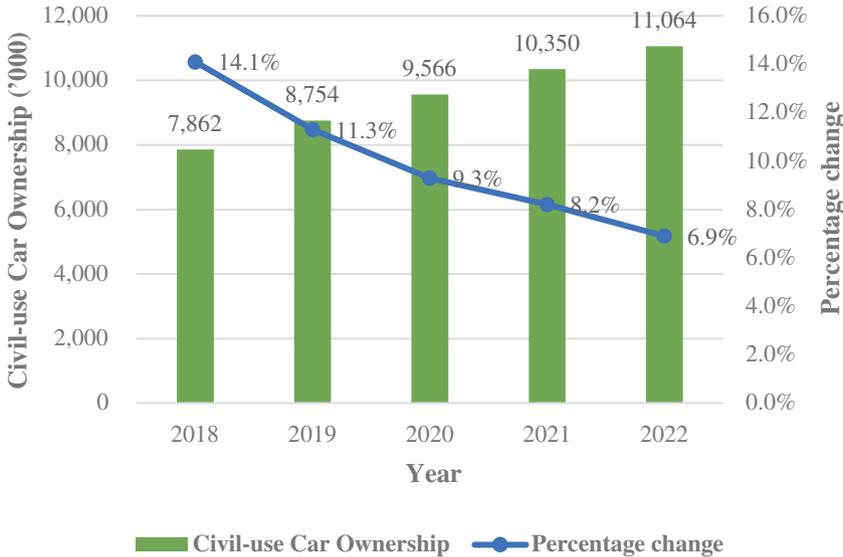
Civil-use car ownership in Hunan province surged at a 9% CAGR between 2018 and 2022, reaching 11 million vehicles in 2022.

Chart 4: GDP Growth of Hunan Province (2018-2022)



Sources: Statistical Communique of the People’s Republic of China on National Economic and Social Development of Hunan (2018-2022). Statistical Yearbooks of Hunan (2018-2022)

Chart 5: Civil-use Car Ownership in Hunan Province (2018-2022)



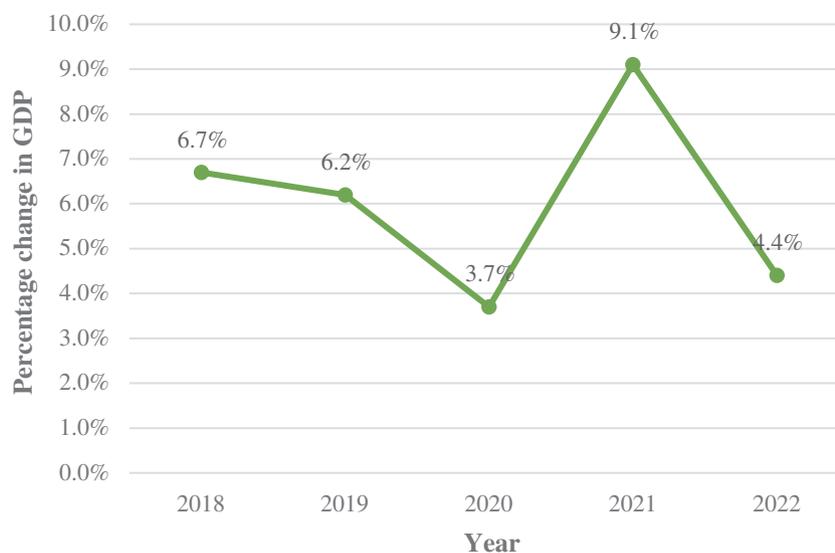
Sources: Statistical Communique of the People’s Republic of China on National Economic and Social Development of Hunan (2018-2022). Statistical Yearbooks of Hunan (2018-2022)

Economic Overview of Shanxi Province (Longcheng)

Shanxi province is a landlocked province in northern China. It is bordered by Hebei to the east, Henan to the south, Shaanxi to the west, and Inner Mongolia to the north. It is 17th populous province in China, with a population of around 34 million in 2022. The provincial capital is Taiyuan. Shanxi's GDP was RMB 2,564 billion in 2022 and ranked 20th in China.

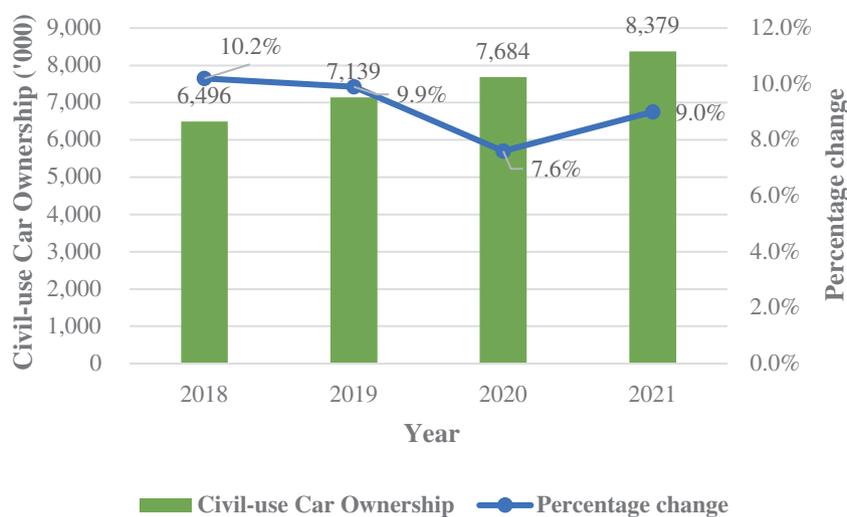
Civil-use car ownership in Shanxi province surged at a 9% CAGR between 2018 and 2022, reaching 8 million vehicles in 2022.

Chart 6: GDP Growth of Shanxi Province (2018-2022)



Sources: *Statistical Communique of the People's Republic of China on National Economic and Social Development of Shanxi (2018-2022)*. *Statistical Yearbooks of Shanxi (2018-2022)*

Chart 7: Civil-use Car Ownership in Shanxi Province (2018-2021)



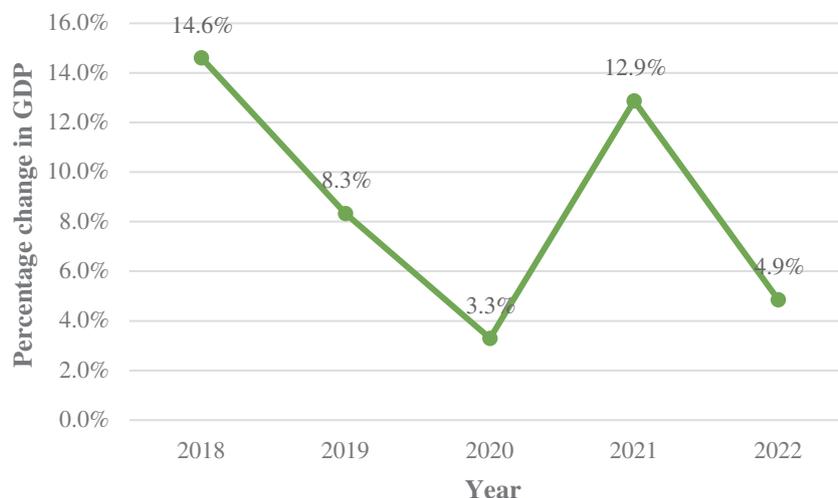
Sources: *Statistical Communique of the People's Republic of China on National Economic and Social Development of Shanxi (2018-2021)*. *Statistical Yearbooks of Shanxi (2018-2021)*

Economic Overview of Anhui Province (Machao)

Anhui province is a landlocked province in eastern China. It is bordered by Jiangsu to the east, Zhejiang to the southeast, Jiangxi to the south, and Henan to the northwest. It is 6th populous province in China, with a population of around 61 million in 2022. The provincial capital is Hefei. Anhui’s GDP was RMB4,505 billion in 2022 and ranked 10th in China.

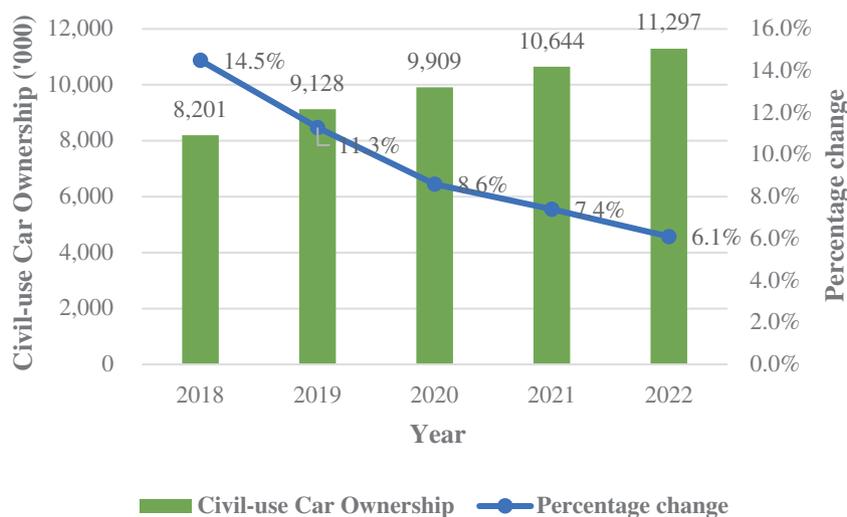
Civil-use car ownership in Anhui province grew steadily 7% CAGR between 2018 and 2022, reaching 11 million vehicles in 2022.

Chart 8: GDP Growth of Anhui Province (2018-2022)



Sources: *Statistical Communique of the People’s Republic of China on National Economic and Social Development of Anhui (2018-2022)*. *Statistical Yearbooks of Anhui (2018-2022)*

Chart 9: Civil-use Car Ownership in Anhui Province (2018-2022)



Sources: *Statistical Communique of the People’s Republic of China on National Economic and Social Development of Anhui (2018-2022)*. *Statistical Yearbooks of Anhui (2018-2022)*

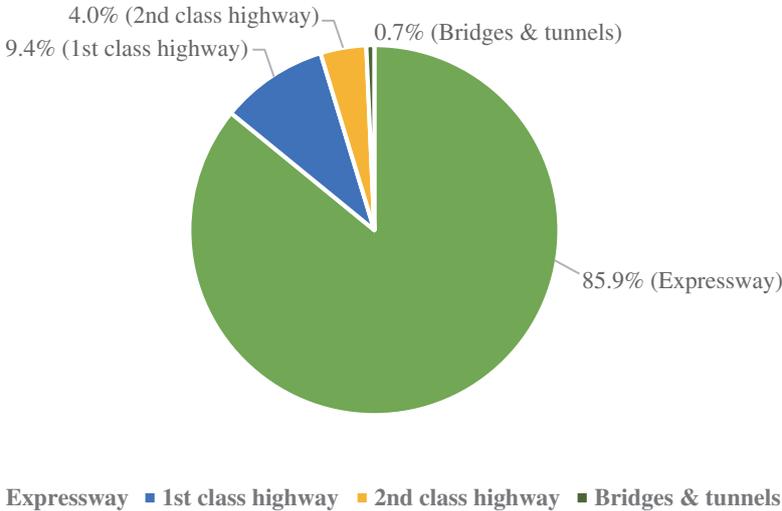
Industry Overview¹

In December 1984, the State Council introduced a groundbreaking policy that allowed for the construction of toll roads. This policy, which broke the shackles of the government’s sole reliance on fiscal investment for road construction, paved the way for a diversified investment mechanism that included state investment, local funding, social financing, and foreign investment.

As at the end of 2021, the total length of highways in operation nationwide reached 5,280,700 km, which was 5.7 times that of the end of 1984. Of this, the length of expressway reached 169,100 km. The rapid development of highway infrastructure has greatly improved highway traffic capacity and transportation efficiency, and promoted sustained and healthy economic and social development. In 2021, the national highway passenger turnover was 362.75 billion person-kilometers (a significant decrease in the past two years due to the impact of pandemics), which is 2.7 times that of 1984. The highway cargo turnover was 6908.77 billion ton-kilometer, which is 131 times that of 1984.

At the end of 2021, the length of toll roads nationwide was 187,600 km, accounting for 3.55% of the total highway mileage in China. Among them, there are 161,200 km expressways, 17,600 km of first-class highways, 7,500 km of second-class highways, and 1,329 km of bridges and tunnels.

Chart 10: Composition of Toll Roads in 2021



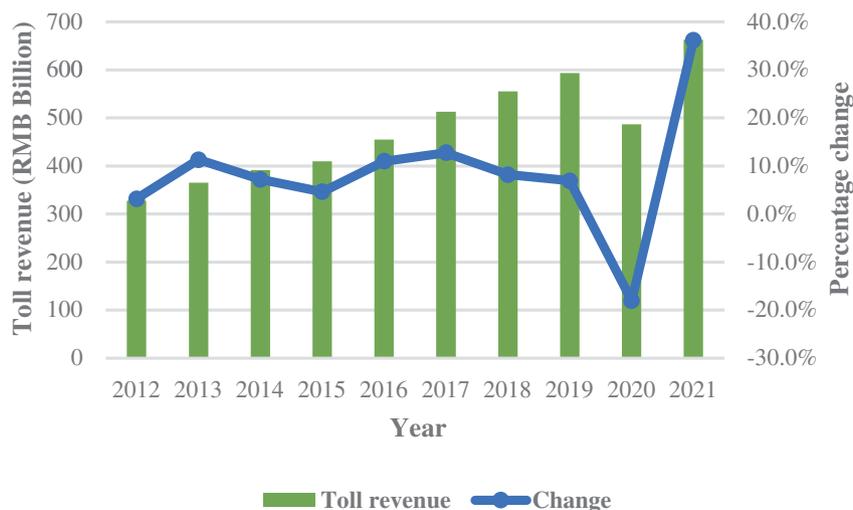
Sources: Ministry of Transport of the People’s Republic of China

The total length of toll roads increased 4.7% from 179,242 km in 2020 to 187,579 km in 2021. Among them, the expressway mileage increased 5.4% from 152,900 km to 169,100 km.

¹ 2021 National Toll Highway Statistical Bulletin, Ministry of Transport of the People’s Republic of China

Excluding the toll-free policy in 2020 for pandemic prevention and control, the total toll revenue in 2021 increased 2.26% to RMB 663 billion. The toll revenue rose 8.1% CAGR between 2012 and 2021.

Chart 11: Toll Revenue (2012-2021)



Sources: Ministry of Transport of the People's Republic of China

Sources of Information

In conducting the valuation, we have considered, reviewed and relied upon the following key information provided by the Management and other pertinent data concerning the Target Company which includes but not limited to the following:

- Copy of Conditional Sale and Purchase of Shares Agreement between Road King Expressway International Holdings Limited and Cornerstone Holdings Limited dated 17 November 2023 provided by the Management;
- Copy of audited financial statements of the Target Company for the year ended 31 December 2020, 2021, and 2022 provided by the Management;
- Copy of unaudited financial statements of the Target Company for the eight months period ended 31 August 2023 provided by the Management;
- Copy of audited financial statements of Hebei Baojin Expressway Company Limited, Hunan Changyi Expressway Company Limited, Jinzhong Longcheng Expressway Company Limited, and Anhui Machao Expressway Company Limited for the year ended 31 December 2020, 2021, and 2022 provided by the Management;

- Copy of unaudited financial statements of Hebei Baojin Expressway Company Limited, Hunan Changyi Expressway Company Limited, Jinzhong Longcheng Expressway Company Limited, and Anhui Machao Expressway Company Limited for the eight months period ended 31 August 2023 provided by the Management;
- Copy of (1) Baojin Expressway Traffic and Toll Revenue Forecasting Study; (2) Changyi Expressway Traffic and Toll Revenue Forecasting Study; (3) Longcheng Expressway Traffic and Toll Revenue Forecasting Study; and (4) Machao Expressway Traffic and Toll Revenue Forecasting Study (together, the “**Traffic Reports**”) by WB Group International Limited (the “**Traffic Consultant**”) dated 17 November 2023;
- Copy of financial projection (the “**Projection**”) of the Target Company for the period between 1 September 2023 and 31 December 2044 provided by the Management;
- Background information of the Target Company provided by the Management;
- Discussions with and representations made by the Management;
- Bloomberg;
- 2022 Edition Stout Restricted Stock Study;
- CRSP Deciles Study 2023;
- Country and Equity Risk Premiums dated 1 July 2023 by Aswath Damodaran.

Approach and Methodology

The fair value of the Interest is conducted by one or more of the three generally accepted valuation approaches: asset approach, market approach and income approach.

Asset Approach

A means of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

Market Approach

Market Approach considers prices recently paid for similar related to the subject company’s major business industry, with adjustments made to the indicated market prices to reflect condition and utility of the appraised business relative to the market comparatives.

In general there are two methods under the market approach, namely the guideline merged and acquired company methods and the guideline publicly traded company method. Guideline merged and acquired company method is based on acquisitions and sales of entire companies, divisions or certain equity interests of either publicly traded or private companies. Guideline publicly traded company method is based on the adoption of multiples that are drawn from companies traded in major stock exchanges to the fundamental data of the subject company. Depending on the nature of the underlying business and other company specific conditions, various multiples may be used to evaluate the business ownership interests.

Income Approach

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Determination of the Valuation Approach

Among the three approaches, we consider that Income Approach is more appropriate for valuing the Target Company.

Asset Approach and market approach might not be able to capture the future economic benefits contributed by the subject assets and from the business operation easily. Market approach is not appropriate to the Target Company since the Target Company receives cash distribution from the investment in subsidiaries and joint ventures, while the comparable companies invest and operate a portfolio of toll road concession rights with length and expiry dates of concession rights that are different to the Target Company's investment. Income approach is able to take into account of the future economic prospect of the Target Company reflected in the financial projection provided by the Management.

Based on the above considerations, we have therefore adopted the Income Approach in determining our opinion of value as reasonable future projection of the Target Company could be estimated on the basis of economy and industry outlook, historical financial and operation results.

Projection

Projection for the period between 1 September 2023 and 31 December 2044 were provided and prepared by the Management. We have reviewed the calculation and had discussion with the Management regarding the assumptions and basis of the Projection as below:

Revenue:

The projected revenue is the cash distribution to the Target Company from the Companies based on the respective profit sharing ratio in each entity. The amount of cash distribution from each entity is the excess cash available after interest expense, debt repayment and cash distribution of previous years.

The projected revenue of each entity in the Companies was based on the average daily traffic volume and average daily revenue of base case provided in the Traffic Reports.

The projected repair and maintenance expenses, toll collection expenses, and management expense of each entity in the Companies are assumed to grow by 3% annually as advised by the management.

The projected cash available for distribution of each entity in the Companies are excess cash available in each entity after interest expense, debt repayment, capital expenditure. The amount of cash distribution to the Target Company from each entity is proportioned to its respective profit sharing ratio to the Target Company.

General and Administrative (the “G&A”) Expenses:

The G&A expenses of the Target Company in 2023 was advised by the management with a 3.0% growth rate adopted from 2024 and onwards.

Capital Expenditure:

As advised by the Management, there is no capital expenditure as the Target Company is an investment holding company.

Net Working Capital:

As advised by the Management, there is no net working capital as the Target Company is an investment holding company.

Determination of Discount Rate

Discount rate is applied for calculation of the present value of cash flows. We can obtain the Target Company’s cost of equity with reference to the public comparable companies, based on the **Capital Asset Pricing Model** (hereinafter referred to as “**CAPM**”) using beta of its proxies.

The CAPM only measures the systematic risk component, however, disregards the unsystematic risk component. To compensate for the unsystematic risk of the investment, we have included other risk adjustments such as size risk premium and company specific risk.

The computation of the estimated cost of equity is shown as follows:

$$K_e = R_f + \beta_{eg} \times ERP + SP + CSR$$

where

K_e = return of geared equity

R_f = risk free return

β_{eg} = geared equity beta

ERP = equity risk premium

SP = size premium

CSR = company specific risk

Then we calculated the **Weighted Average Cost of Capital** (hereinafter referred to as “WACC”) by weighting the rate of returns required by equity and debt holders using the proportions of the firm’s value attributed from each source of capital (equity and debt).

$$WACC = K_e \times W_e + K_d \times (1 - T) \times W_d$$

where

K_e = cost of equity

K_d = cost of debt

W_e = percentage of equity to total capital

W_d = percentage of debt to total capital

T = tax rate

The following criteria have been adopted for the selection of comparable companies:

- Public listing location in the Shanghai Stock Exchange and the Shenzhen Stock Exchange as at the Valuation Date;
- Publicly listed in more than three years prior to the Valuation Date;
- Principal place of business based in China; and
- Major revenue generated from toll road business.

Based on the above searching criteria, on the best effort basis, the exhaustive list of selected comparable companies which are engaged in the similar business include:

(a) Sichuan Expressway Co Ltd
(Bloomberg stock code: 601107 CH)

Sichuan Expressway Company Limited offers expressway investment and construction services. The Company builds toll highway, bridge, tunnel, and other traffic projects. Sichuan Expressway also conducts city operation, energy, media and financial investment businesses.

(b) Jiangxi Ganyue Expressway Co Ltd
(Bloomberg stock code: 600269 CH)

PT Jiangxi Ganyue Expressway CO., LTD. operates highway businesses. The Company provides toll highway investment, construction, and maintenance services. Jiangxi Ganyue Expressway also conducts oil wholesale, leasing, and highway service zone operation businesses.

(c) Fujian Expressway Development Co Ltd
(Bloomberg stock code: 600033 CH)

Fujian Expressway Development Co., Ltd offers infrastructure construction services. The Company constructs highways and other infrastructures. Fujian Expressway Development also operates equipment leasing, construction investment, and other businesses.

(d) Henan Zhongyuan Expressway Co Ltd
(Bloomberg stock code: 600020 CH)

Henan Zhongyuan Expressway Company Limited operates expressway businesses. The Company provides toll highway investment, construction, and maintenance services. Henan Zhongyuan Expressway also conducts real estate development, oil distribution, and technology service businesses.

(e) Shanxi Road & Bridge Co Ltd
(Bloomberg stock code: 000755 CH)

Shanxi Road & Bridge Co., Ltd operates highway operation businesses. The Company provides toll expressway management, maintenance, and other related services. Shanxi Road & Bridge also produces benzene, adhesives, ethyl acetate, polyvinyl alcohol, and butane series.

(f) Jilin Expressway Co Ltd
(Bloomberg stock code: 601518 CH)

Jilin Expressway Co Ltd. invests, develops, builds and operates toll roads. The Company mainly engages in the operation of Changping Expressway and service facilities along Changping Expressway.

(g) Guangdong Provincial Expressway Development Co Ltd
(Bloomberg stock code: 200429 CH)

Guangdong Provincial Expressway Development Co., Ltd. constructs and operates toll expressways and bridges.

Taking account of the above, we suggested an appropriate weighted average cost of capital was determined at 11.20% as at the Valuation Date.

Discount for Lack of Marketability

Discount for lack of marketability (“DLOM”) is normally applied to valuation of non-publicly traded company. Marketability discount reflects the ability of converting shares into immediate cash. Compared to publicly listed companies, private companies do not have a known market price and there exist no public market for trading of shares. Therefore, a privately held company is theoretically worth less than a public company with the same business, given other things being the same.

Taking account of the above, the lack of marketability of 15.70% was applied in the valuation of equity value of the Target Company based on the 2022 Edition Stout Restricted Stock Study.

Calculation

Based on the above parameters and inputs, the calculation of this valuation is presented as follows:

Fair value of 100% equity interest in Road King (China) Infrastructure Limited (BVI)

(in Renminbi, million)	Value
(1) Net present value	5,222
(2) Add: Cash & cash equivalents	0
(3) Restricted Funds	0
(4) Less: Bank loan matures in 1 year	0
(5) Long-term bank loan	0
(6) Deferred tax	0
(7) Equity value before DLOM	= (1)+(2)+(3)-(4)-(5)-(6) 5,222
(8) DLOM	= (7) x 15.70% 820
(9) Equity value after DLOM	= (7) - (8) 4,402

* Figures above are subjected to rounding

Assumptions and Notes to Valuation

Assumptions considered having significant sensitivity effects in this valuation have been evaluated in arriving at our assessed values.

General Assumptions

1. The transaction assumption assumes that all assets and liabilities to be valued are in the process of being transacted and the valuation assessed is based on a simulated market which involves the transaction conditions of the assets to be valued.
2. The open market assumption assumes that the parties to the assets transaction or the proposed asset transaction in the market have equal bargaining power and have the opportunities and time to obtain sufficient market information in order to market a rational judgement on the assets, including their functions, uses and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.
3. The asset going-concern assumption means the valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.
4. The corporate going-concern assumption assumes that businesses of the valued entities will continuously operate and maintain the same operation method as it currently operates.
5. We assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business.
6. In arriving at our opinion, we have assumed and relied extensively upon the accuracy and completeness of the information provided to us by the Management such as financial statements, the Projection, documents, oral conversation through correspondences and interviews. We do not independently investigate nor otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness.
7. We are given the Projection. We are confirmed by the Management that the Projection can be used as a proxy for the financial performance of the Target Company. We do not independently investigate nor otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness.
8. The financial information of the Target Company was prepared in accordance to the applicable accounting standard. We did not independently investigate nor otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness.

9. As advised by the Management, the profit sharing ratio of each entity is as below:

Entity	Profit Sharing Ratio
Hebei Baojin Expressway Company Limited	40.0%
Hunan Changyi Expressway Company Limited	50.0%
Jinzhong Longcheng Expressway Company Limited	45.0%
Anhui Machao Expressway Company Limited	49.0%

10. There will be no material changes in inflation and interest rates from those prevailing as at the Valuation Date.
11. The availability of finance will not materially constrain the forecasted growth of the Target Company.
12. The Target Company will be able to procure and retain competent key personnel and operating staffs.
13. Risk-free rate (R_f): The risk-free rate was estimated to be 2.76%, interpolated from the mid-yield of China government's benchmark rates to match the projection period of 21.33 years of the Target Company as at the Valuation Date.
14. Geared equity beta (β_{eg}): The average geared equity beta of comparable companies of the Target Company as at the Valuation Date, 1.04, was taken as the beta for the Target Company.
15. Size premium (SP): Size premium of 1.18% was estimated with reference to CRSP Deciles Study 2023.
16. Company Specific risk (CSR): Taking into consideration the operation stage of the Target Company and the uncertainty of the realization of future cash flow, a risk premium of 1.00% was added based on our internal assessment.
17. Cost of equity (K_e): The cost of equity as at the Valuation Date per calculation by adjusted CAPM, 11.20%, was estimated.
18. Percentage of equity to total capital (W_e): As advised by the Management, the Target Company is an investment holding company without debt on its balance sheet, the percentage of equity to total capital of the Target Company was assumed to be 100%.
19. Tax rate (T): Advised by the Management, no income tax will be applied.

Valuation Comments

As part of our analysis, we have reviewed information, documentation and other pertinent data concerning the Target Company as has been made available to us. Such information has been provided by the Management. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The assumptions made in our valuation are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Management, the Target Company and RHL Appraisal Limited.

Risk Factors

The following factors may affect the result of this valuation.

Economic and Political Risks

Political and economic policies of local government may affect the Target Company's operational results and may result in their inability to sustain their business growth.

Uncertainties with respect to the legal and tax system could materially and adversely affect the operational performance of the Target Company.

Industry Competition

There are/ may be a number of competitors in the market providing similar products or services. Any future outbreak or occurrence of unpredictable events may change the demand or operating costs which may adversely affect the Target Company's operational results.

Risks relating to the operation

The business relies on the ability to retain competent key personnel and operating staffs. If the Target Company is not able to retain or recruit competent staffs for its operation, the revenue may decline and the Target Company may not be able to maintain the profitability.

Future Performance and Profitability

If the Target Company is not able to continue to maintain existing toll road users and/or attract new toll road users to its business at commercially viable fee levels, the revenue may decline and the Target Company may not be able to maintain the profitability.

Uncertainty and adverse changes in the economy could have a material adverse impact on the business and operating results.

Information bias

Research and information from the Target Company or research database are subject to bias or may not meet with the actual future results.

Opinion of Value

Based on the results of our investigations and analysis outlined in this report, we are of the opinion that the fair value of the Interest as at the Valuation Date, free from any encumbrances, is reasonably and approximately stated as **RENMINBI FOUR BILLION FOUR HUNDRED AND TWO MILLION ONLY (RMB 4,402,000,000)**.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This report is issued subject to our limiting conditions in the Appendix I.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Alexander C. Y. Lau
Director

Vincent J. Y. Lee
CFA
Associate Director

ALE/LJY

Analysis and report by:
Vincent J. Y. Lee, CFA

Appendix I — Limiting Conditions

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.
3. We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this report. We assumed that financial and other information provided to us are accurate and complete.
4. We do not provide assurance on the achievability of any financial results estimated by the Target Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecast results is dependent on actions, plans, and assumptions of the Management.
5. RHL Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
7. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
8. We assume that there are no hidden or unexpected conditions associated with the business valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
9. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any other party without our prior written consent.

Appendix II — Sensitivity Analysis

We have also carried out sensitivity analysis by varying the following parameters:

- Discount rate
- Cash distribution growth

Table 1 shows the impact on the valuation of the Interest by varying the discount rate and the cash distribution growth:

Table 1 (in RMB million)	Discount Rate		
	10.70 %	11.20 %	11.70 %
Cash distribution growth			
Base Scenario - 5%	4,301	4,175	4,055
Base Scenario	4,535	4,402	4,276
Base Scenario + 5%	4,770	4,630	4,497

Set out below are the texts of the report as of 17 November 2023 received from WB Group International Limited, an independent traffic consultant, in connection with traffic study on Baojin Expressway in China for inclusion in this circular.



WB Group International Limited,
Unit G, 15/F, TAL Building,
49 Austin Road, Kowloon, Hong Kong,
P. R. China

As of 17th November 2023

The Directors,
Road King Infrastructure Limited,
Suite 501, 5/F, Tower 6, The Gateway,
9 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Dear Sirs,

Baojin Expressway in Hebei Province in China
Traffic and Toll Revenue Forecasting Study

WB Group International Limited (the “Consultant”) was commissioned by Road King Expressway International Holdings Limited (‘RKE’), a subsidiary of Road King Infrastructure Limited, to carry out an independent traffic and toll revenue forecasts for Baojin Expressway in Hebei Province in China.

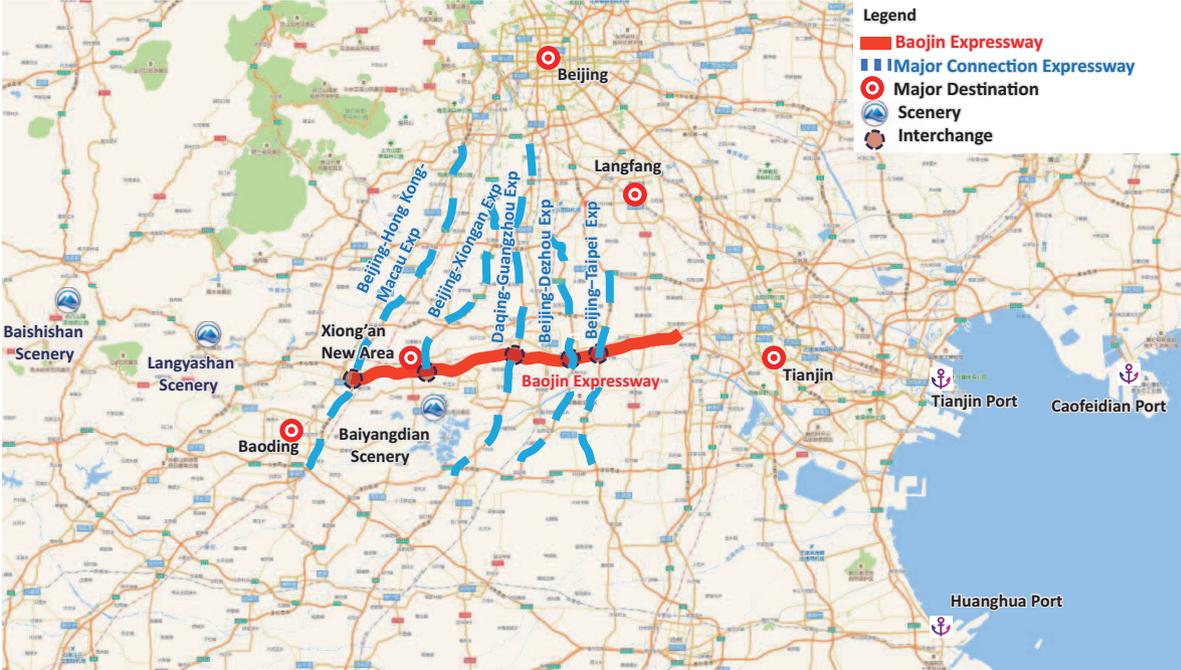
All reasonable and professional skills, judgement, care and due diligence have been exercised in preparing the Traffic and Toll Revenue Forecasting Study. A summary of the findings of this report is set out below:

1 Introduction

Baojin Expressway, officially known as Tianjin-Xiongan (“Jinxiong”) Expressway recently, is part of the trunk road in Hebei Province and the Bohai Rim Region that runs from the border between Hebei Province and Tianjin to Xushui in Baoding and connects to Tianjin Port. It is also one of the eighteen horizontal east-west national expressways. Baojin Expressway has a total length of 105 km and is one of the major routes connecting Tianjin and north-eastern provinces with Baoding, Shijiazhuang and provinces to the south and west, such as Shanxi and Henan.

Baojin Expressway is a closed system expressway¹ with nine toll plazas and five interchanges which are fully operational. Its dual four lane carriageways have a design speed of 120 km per hour. The maximum speed is 120 km per hour. Baojin Expressway has been collecting tolls since its operation in 1998 and is fully operational. The location of Baojin Expressway is shown on Figure 1-1.

Figure 1-1 Location of Baojin Expressway



Note: "Exp" means Expressway
Source: Consultant, 2023

2 Study Approach

The study approach and work steps are summarized below:

Step 1 : Data Collection - The Consultant collected relevant traffic/revenue information of Baojin Expressway, including economic growth patterns, transport development plans, and forecasts of future development projects in the Hebei Province, Tianjin Municipality, Beijing Municipality and other areas in the vicinity of Baojin Expressway.

Step 2 : Existing Year Traffic Conditions - Based on the traffic and revenue information collected, the current economic and development activities along the Baojin Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Baojin Expressway to determine the 2023 annual average daily traffic, value of time and operation costs of Baojin Expressway.

¹ Close system Expressway: Expressway with controlled access. Toll stations are located at all the entry and exit points.

Step 3 : Road Network Development in Traffic Forecasting Model - This task included the development of a computer simulation model to replicate the existing traffic conditions along Baojin Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programs from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

Step 4 : Socio-economic Analysis - In order to understand and to predict existing and future community and economic development trends in the Hebei Province as well as the Project vicinity cities. The Consultant carried out detailed analyses on the latest community/economic information released by relevant Government agencies. The purpose of this task was to identify possible numerical relationships between historical travel demand figures and community/economic parameters. The extensive coverage and details of the data validated the accuracy of the coefficients.

Step 5 : Traffic Forecasting Model Development - The results of Steps 2-4 formulated the basis for development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 5.

Step 6 : Traffic and Revenue Forecast - The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised traffic forecasting model.

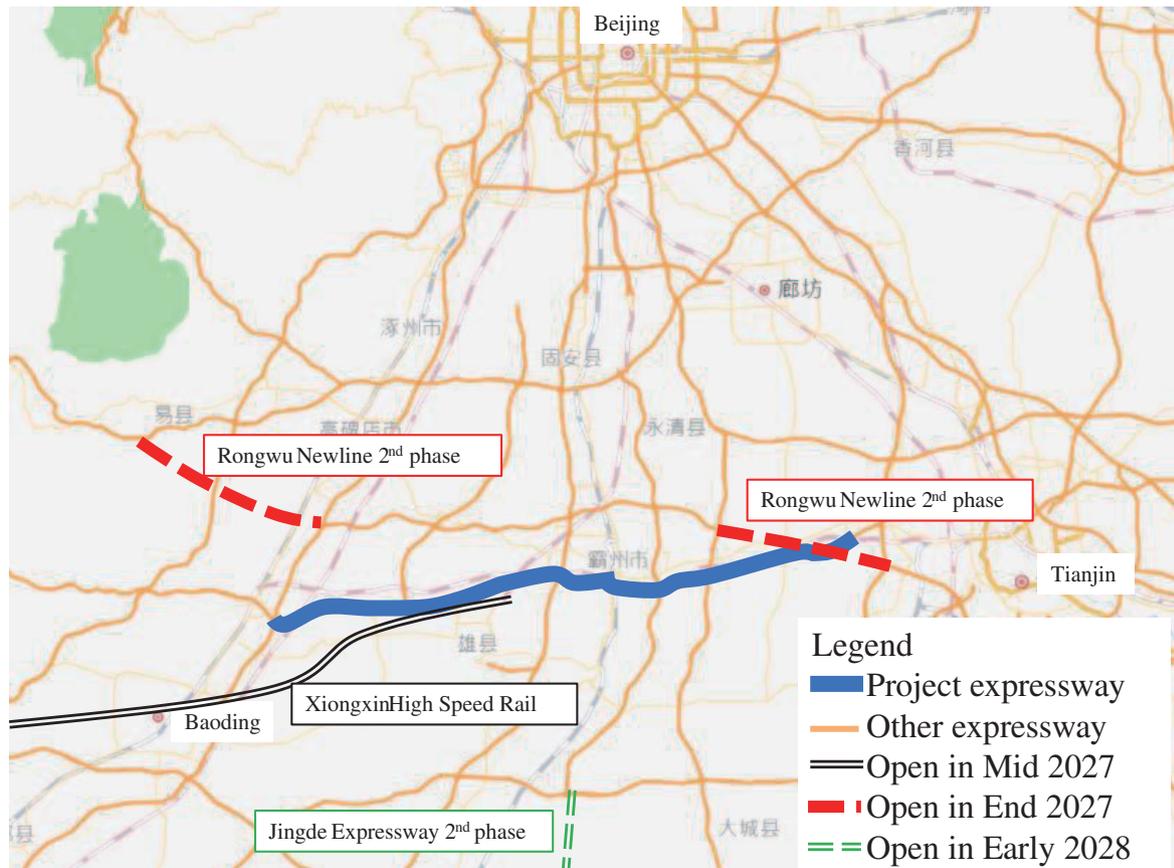
3 Historical Traffic and Revenue Data Collection and Analysis

The Consultant has collected the following historical data:

1. Baojin Expressway monthly in-out traffic volume at toll stations by vehicle types from 2018 to July 2023.
2. Baojin Expressway monthly section flow traffic volume by from 2018 to August 2023.
3. Baojin Expressway monthly total traffic by vehicle types from 2018 to August 2023.
4. Baojin Expressway monthly revenue by vehicle types from 2018 to August 2023;

In order to have a better understanding of the existing traffic levels, The Consultant obtained 1st - 7th July 2022 and 1st - 7th July 2023 project expressway Station-to-Station traffic flow data from the Hebei Province Expressway Toll Collection Agency. The information will enable the Consultant to adequately understand the weekly traffic pattern, origins, destinations, vehicle types and distance travelled.

Figure 4-1 Location of New Expressways



Source: Consultant, 2023

Table 4-1 New Expressways/railways with Traffic Impact

Name	Opening Year	Traffic Impact on Baojin Expressway
Xiongxin High Speed Rail	Mid 2027	Traffic Diversion
Rongwu Expressway New Line 2 nd phase	End 2027	Traffic Diversion
Jingde Expressway 2 nd phase	Early 2028	Traffic Diversion

Source: Consultant, 2023

6. *Toll Rates:*

The existing toll charges in RMB per vehicle per kilometer is summarized in Table 4-2.

Table 4-2 Baojin Expressway Toll Charges (RMB/veh/km)

Class Type	Passenger Vehicle / Goods Vehicle (Truck)	Toll Rates⁽¹⁾ (RMB/ Vehicle/km)
PV1	≤ 9 Seats (length < 6m)	0.4
PV2	10 - 19 Seats (length < 6m)	0.7
PV3	20 - 39 Seats (length ≥ 6m)	1.1
PV4	≥40 seats (length ≥ 6m)	1.36
GV1	2 axles (length <6m and mass < 4500kg)	0.5
GV2	2 axles (length ≥ 6m or mass ≥ 4500kg)	1.09
GV3	3 axles	1.48
GV4	4 axles	1.87
GV5	5 axles	2.18
GV6	6 axles	2.44

Source: Hebei Baojin Expressway Co., Ltd., 2023

Note:

- (1) Toll rates in table are before applying discount.
- (2) ETC 5% discount for all vehicles. A 5% discount is given to all ETC users starting from 1st July 2019 in order to encourage the use of ETC according to the policy “Announcement About Encouraging the Application of ETC on Expressway” 《關於大力推動高速公路ETC發展應用工作的通知》.
- (3) Apart from ETC 5% discount for all vehicles, Baojin Expressway’s truck users are entitled to have extra toll concession. Toll concession for truck Class 1, Class 2, Class 3, Class 4, Class 5 and Class 6 are 20%, 5%, 5%, 9%, 17% and 13% respectively.
- (4) PV1, PV2, PV3 and PV4 represent passenger vehicle type 1, 2, 3 and 4 respectively. GV1, GV2, GV3, GV4, GV5, GV6 represent goods vehicle type 1, 2, 3, 4, 5 and 6 respectively.

7. *Traffic Distribution and Assignment:*

This study adopted the “Generalized-cost” as the factor to influence the decisions to select travel paths by the trip makers. This will arrive at a balanced trip distribution on the road network within the study area. The “generalized cost” includes all elements and factors (such as travel time, travel distance, vehicle operation cost and toll costs etc.) that may affect the choice of travel paths of the car drivers.

The traffic assignment model used by the Consultant has taken into consideration the road users’ willingness to pay certain travel costs and congestion levels on the Baojin Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two Traffic Analysis Zones is allocated by the model to the path of the lowest generalized cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalized cost. This process is repeated until traffic volumes on the competing highways reach a state of equilibrium. Revenue is then calculated by applying the toll rates to the traffic volumes by taking into account the distance travelled.

5 Traffic and Revenue Forecast Results

Based on the collected information and the forecasting analysis produced by the traffic model, the analysis base year and the end of forecast period were assumed to be 2023 and 20th November 2033 respectively. The future traffic volumes and revenues were derived with the application of the traffic model to reflect the economic development growths and road network changes since 2022. Table 5-1 summarizes the key contents of Base case, Conservative case and Optimistic case.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	<ol style="list-style-type: none"> 1. Construction activities at Xiongan New Area are picking up post-pandemic during 2023 - 2025.⁽¹⁾ 2. Opening of Xiongxin High Speed Rail in mid 2027. 3. Opening of Rongwu Expressway New Line 2nd phase in end of 2027. 4. Opening of Jingde Expressway 2nd phase in early 2028. 5. Impact of gradual migration to Xiongan New Area.⁽²⁾ 6. Impact of G112 saturation.⁽³⁾ 7. ETC 5% discount for all vehicles. 8. Apart from ETC 5% discount for all vehicles, Baojin Expressway's truck users are entitled to have extra toll concession. Toll concession for truck Class 1, Class 2, Class 3, Class 4, Class 5 and Class 6 are 20%, 5%, 5%, 9%, 17% and 13% respectively. 9. Forecast period ends on 20th November 2033. 10. No impact from further recovery from COVID-19⁽⁴⁾ is included in the forecast.
(2) Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model reduced by 10%.
(3) Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model increased by 10%.

Note:

- (1) The construction activities were hindered during the pandemic due to the COVID -19 control measures. Based on latest news, it is assumed that the construction of the Xiongan New Area will continue as the control measures have been lifted and the development momentum has been picking up following President Xi's visit in May 2023.
- (2) The gradual migration is based on the plan 《河北雄安新区启动区控制性详细规划 (2020年1月)》 and 《河北雄安新区起步区控制性规划 (2020年1月)》. The planned population of the Xiongan New Area is 1 million in the short term and 5 million in the long term. It is assumed that the migration will have a positive impact on the Baojin Expressway at about +1.3% vehicles/day per year, assuming the construction and migration will continue until it reaches the planned population.

- (3) Traffic on G112 is already saturated now. A portion of traffic on G112 will be diverted to Baojin Expressway and the impact is about +0.3% vehicles/day per year.
- (4) Based on actual traffic data up to 1H 2023, recovery from COVID-19 has a positive impact on the 1H 2023 traffic of the Baojin Expressway. Impact of further recovery from COVID-19 on 2H 2023 traffic is assumed to be immaterial, as economic growth and consumption activities have stabilised over the first 6 months of 2023. The impact of recovery from COVID-19 is incorporated into the 2023 traffic and revenue analysis with a conservative approach, by using actual 1H 2023 data and assuming there is no additional COVID-19 recovery impact during 2H 2023. 2023 is considered as the new normal state after COVID-19 and used as a base year. No impact from further recovery from COVID-19 is included in the forecast.

Source: Consultant, 2023

5.1 Traffic and Revenue Forecast Results (Base Case, Conservative Case and Optimistic Case)

Based on the above considerations, the average daily traffic, weighted average daily section traffic flows and toll revenue forecasts of Baojin Expressway are shown in Table 5-2, Table 5-3 and Table 5-4 respectively. The average daily traffic volume refers to the sum of project expressway daily traffic, including the number of vehicles leaving the project expressway toll station, the number of vehicles entering the project expressway but leaving from other expressways, and the number of vehicles passing through the project expressway but not entering to or leaving from the project expressway toll stations. Weighted average daily section flow is the summation of the product of daily traffic volume and mileage of each section and divided by the sum of the mileage.

Table 5-2 Average Daily Traffic on Baojin Expressway (Vehicles/Day)

Year	Average Daily Traffic (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	69725	69725	69725
2024	74351	73910	74788
2025	80025	79094	80961
2026	85446	84002	86903
2027	89919	87980	91893
2028 ⁽¹⁾	94450	91990	96972
2029	99977	96931	103097
2030	105464	101833	109200
2031	111099	106852	115491
2032	116861	111971	121936
2033	122754	117184	128544

Note:

- 1. The growth of the weighted average daily section flow of the Baojin Expressway is assumed to slow down in 2028 as it is assumed that: the opening of Xiongxin High Speed Rail in mid-2027 will divert passenger vehicle traffic between Xiongan and Xinzhou from the Baojin Expressway; and the opening of the Rongwu Expressway New Line 2nd phase at the end of 2027 will divert the traffic between Tianjin and Baoding from the Baojin Expressway.

Source: Consultant, 2023

Table 5-3 Weighted Average Daily Section Flow on Baojin Expressway (Vehicles/Day)

Year	Weighted Average Daily Section Flow (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	27583	27583	27583
2024	29376	29205	29548
2025	31581	31218	31946
2026	33682	33122	34250
2027	35590	34831	36361
2028 ⁽¹⁾	36229	35296	37180
2029	38309	37160	39488
2030	40368	38999	41777
2031	42477	40877	44130
2032	44634	42794	46542
2033	46836	44746	49009

Note:

1. The growth of the weighted average daily section flow of the Baojin Expressway is assumed to slow down in 2028 as it is assumed that: the opening of Xiongxin High Speed Rail in mid-2027 will divert passenger vehicle traffic between Xiongan and Xinzhou from the Baojin Expressway; and the opening of the Rongwu Expressway New Line 2nd phase at the end of 2027 will divert the traffic between Tianjin and Baoding from the Baojin Expressway.

Source: Consultant, 2023

Table 5-4 Annual Revenue Forecasts on Baojin Expressway (RMB' million)

Year	Annual Revenue (RMB' million)		
	Base Case	Conservative Case	Optimistic Case
2023	785	785	785
2024	829	825	833
2025	879	870	888
2026	928	915	941
2027	974	956	992
2028	992	970	1,015
2029	1,038	1,010	1,065
2030	1,084	1,052	1,117
2031	1,131	1,094	1,169
2032	1,182	1,140	1,226
2033	1,090	1,048	1,134
Total	10,912	10,665	11,165

Source: Consultant, 2023

6 Conclusion

This Study carried out future traffic volume and revenue forecasting for Baojin Expressway from 2023 to 20th November, 2033. Based on collected information, the professional capability and past relevant experience of the Consultant, the major Study results are summarized as follows:

- 1) From January, 2023 to 20th November, 2033, the forecasted annual average daily traffic on Baojin Expressway traffic would increase from 69,725 vehicles/day in 2023 to 122,754 vehicles/day in 2033, representing a growth of 76.1%;
- 2) The forecasted annual revenue on Baojin Expressway would increase from 0.785 billion RMB/year in 2023 to 1.182 billion RMB/year in 2032. From 2023 to 20th November, 2033, Baojin Expressway traffic would generate a total revenue of RMB10.912 billion.

This Consultant adopted the most updated and reliable forecasting techniques and professional guidelines in forecasting future traffic and revenue streams on the Expressway. However, the forecasted results in this Study and the actual conditions for the future years may have differences due to uncertainties and unforeseen events that could not be predicted at this juncture. In addition, the results of this Study would only reflect the general traffic and revenue variations over the entire commissioned period of the Expressway. Discrepancies for certain individual year(s) may still be possible. Despite extreme efforts were used by the Consultant to maintain technical excellence in the exercise, the Consultant bears no responsibility or liability for any forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, R.P.E. CPEng, FIHT, MHKIE, MRTPI, MIEAust

Project Director

For and on behalf of

WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 25 years of experience in various fields, including the transportation strategic planning, traffic engineering, traffic demand model, overall planning of traffic and transportation, as well as the traffic and revenue forecasting of toll roads in Hong Kong, Vietnam, Indonesia, South Korea and China.

Set out below are the texts of the report as of 17 November 2023 received from WB Group International Limited, an independent traffic consultant, in connection with traffic study on Changyi Expressway in China for inclusion in this circular.



WB Group International Limited,
Unit G, 15/F, TAL Building,
49 Austin Road, Kowloon, Hong Kong,
P. R. China

As of 17th November 2023

The Directors,
Road King Infrastructure Limited,
Suite 501, 5/F, Tower 6, The Gateway,
9 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Dear Sirs,

Changyi Expressway in Hunan Province in China
Traffic and Toll Revenue Forecasting Study

WB Group International Limited (the “Consultant”) was commissioned by Road King Expressway International Holdings Limited (‘RKE’), a subsidiary of Road King Infrastructure Limited, to carry out an independent traffic and toll revenue forecasts for Changyi Expressway in Hunan Province in China.

All reasonable and professional skills, judgement, care and due diligence have been exercised in preparing the Traffic and Toll Revenue Forecasting Study. A summary of the findings of this report is set out below:

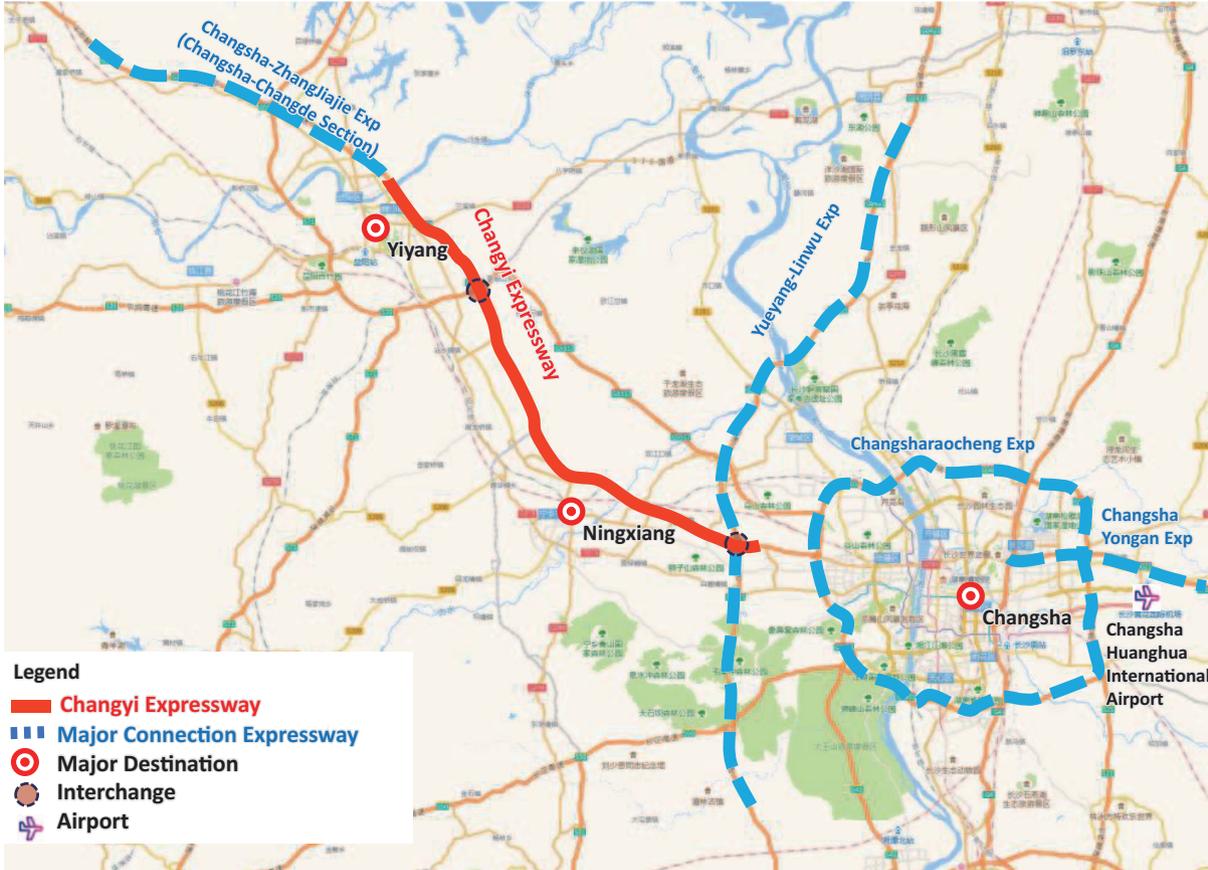
1 Introduction

Changyi Expressway is one of the premier east-west transportation corridors in Hunan Province. It has a total length of 62.8 km which connects Changsha City, the capital of Hunan Province, and Yiyang City, a major city in Hunan Province. It is also a major connecting route between Changsha and Zhangjiajie, the first national forest park and a key tourist location in Hunan Province. In addition, Changyi Expressway is also connected to three national level economic development zones namely, Changsha Hi-Tech Industrial Development Zone, Ningxiang Economic and Technological

Development Zone and Yiyang Hi-Tech Industrial Development Zone and benefits from an increase in freight and logistic transportation flowing into these development zones. Changyi Expressway also gives motorists the accessibility to Changsha-Yongan Expressway and Changsha Huanghua International Airport.

Changyi Expressway is a closed system¹ expressway with eight toll plazas and two interchanges which are all fully operational. Its four lane carriageways are two-way, and have a design speed of 120 km per hour. The maximum speed limit is 120 km per hour. The location of Changyi Expressway is shown on Figure 1-1.

Figure 1-1 Location of Changyi Expressway



Note: “Exp” means Expressway
 Source: Consultant, 2023

2 Study Approach

The study approach and work steps are summarized below:

Step 1 : Data Collection - The Consultant collected relevant traffic/revenue information of Changyi Expressway, including economic growth patterns, transport development plans, and forecasts of future development projects in the Hunan Province, Changsha City, Yiyang City, Changde City and other areas in the vicinity of Changyi Expressway.

¹ Close system Expressway: Expressway with controlled access. Toll stations are located at all the entry and exit points.

Step 2 : Existing Year Traffic Conditions - Based on the traffic and revenue information collected, the current economic and development activities along the Changyi Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Changyi Expressway to determine the 2023 annual average daily traffic, value of time and operation costs of Changyi Expressway.

Step 3 : Road Network Development in Traffic Forecasting Model - This task included the development of a computer simulation model to replicate the existing traffic conditions along Changyi Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programs from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

Step 4 : Socio-economic Analysis - In order to understand and to predict existing and future community and economic development trends in the Hunan Province as well as the Project vicinity cities. The Consultant carried out detailed analyses on the latest community/economic information released by relevant Government agencies. The purpose of this task was to identify possible numerical relationships between historical travel demand figures and community/economic parameters. The extensive coverage and details of the data validated the accuracy of the coefficients.

Step 5 : Traffic Forecasting Model Development - The results of Steps 2-4 formulated the basis for development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 5.

Step 6 : Traffic and Revenue Forecast - The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised traffic forecasting model.

3 Historical Traffic and Revenue Data Collection and Analysis

The Consultant has collected the following historical data:

1. Changyi Expressway monthly in-out traffic volume at toll stations by vehicle types from 2018 to July 2023.
2. Changyi Expressway monthly section flow traffic volume from 2018 to August 2023.
3. Changyi Expressway monthly total traffic by vehicle types from 2018 to August 2023.
4. Changyi Expressway monthly revenue by vehicle types from 2018 to August 2023.

In order to have a better understanding of the existing traffic levels, The Consultant obtained 1st - 7th July 2022 and 1st - 7th July 2023 project expressway Station-to-Station traffic flow data from the Hunan Province Expressway Toll Collection Agency. The information will enable the Consultant to adequately understand the weekly traffic pattern, origins, destinations, vehicle types and distance travelled.

4 Basic Approach and Key Assumptions

To enable reliable forecasting of future traffic on, and revenue projection for, the Changyi Expressway, the Consultant developed a comprehensive socio-economic and traffic forecasting model. This section summarizes the main approach and the key assumptions used by the Consultant in its traffic and revenue forecast model:

- 1. *Forecasting Period:* Year 2023 to 15th April 2026
- 2. *Socio-Economic Model and Factors:* The purpose of this model was to derive the relationships developed between historical socio-economic situations and the future traffic generation. The economic parameters were subjected to correlation and regression analyses. The Consultant determined the future trends of the socio-economic parameters based on historical growth of China, and other provinces and municipalities, some other source of global economic projection such as Organization for Economic Co-operation and Development (OECD).
- 3. *Traffic Forecasting Model:* The professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The main objectives of the traffic forecasting model were to calibrate base year conditions, to adopt reasonable traffic growth assumptions and to predict traffic distribution and assignment patterns on the expressway network in order to obtain reasonable traffic and revenue forecast results.
- 4. *Traffic Model Calibration:* The Consultant has successfully calibrated the traffic model against existing traffic conditions to a technically acceptable level. The Consultant concluded that the calibrated model could adequately replicate travel paths on the expressway system and could be used to perform future traffic/revenue forecasting on the Changyi Expressway.
- 5. *Road and Rail Network Assumptions:* In the base year road network development process, the Consultant made use of the existing China Provincial Expressway Network map as building blocks to develop the highway supply model which was then coded into EMME/3. All major highway facilities were included in the EMME/3 network, including expressways and national highways.

The Consultant carried out detailed analysis on future traffic and revenue forecasts for Changyi Expressway based on the existing and new highway roads in future and the realistic 4-step traffic economic model.

Locations of new expressways are shown in Figure 4-1. The traffic impacts on Changyi Expressway due to the opening of new expressways are summarised in Table 4-1.

Figure 4-1 Location of New Expressways



Source: Consultant, 2023

Table 4-1 New Expressways/railways with Traffic Impact

Name	Opening Year	Traffic Impact on Changyi Expressway
Changzhang North Line Expressway (Yiyang - Changde section)	Late 2024	Traffic Diversion

Source: Consultant, 2023

6. *Toll Rates:*

The existing toll charges in RMB per vehicle per kilometer is summarized in Table 4-2.

Table 4-2 Changyi Expressway Toll Charges (RMB/veh/km)

Class Type	Passenger Vehicle / Goods Vehicle (Truck)	Toll Rates ⁽¹⁾ (RMB/ Vehicle/km)
PV1	≤ 9 Seats (length < 6m)	0.4
PV2	10 — 19 Seats (length < 6m)	0.7
PV3	20 — 39 Seats (length ≥ 6m)	1.0
PV4	≥40 seats (length ≥ 6m)	1.2
GV1	2 axles (length <6m and mass < 4500kg)	0.4
GV2	2 axles (length ≥ 6m or mass ≥ 4500kg)	1.13
GV3	3 axles	1.40
GV4	4 axles	1.63
GV5	5 axles	1.89
GV6	6 axles	2.16

Source : Hunan Changyi Expressway Co., Ltd., 2023

Note:

- (1) Toll rates in table are before applying discount.
- (2) ETC 5% discount for all vehicles. A 5% discount is given to all ETC users starting from 1st July 2019 in order to encourage the use of ETC according to the policy “Announcement About Encouraging the Application of ETC on Expressway” 《關於大力推動高速公路ETC發展應用工作的通知》.
- (3) Apart from ETC 5% discount for all vehicles, Changyi Expressway’s truck users are entitled to have extra toll concession. Toll concession for truck Class 2, Class 3, Class 4, Class 5 and Class 6 are 38%, 19%, 12%, 16% and 20% respectively.
- (4) PV1, PV2, PV3 and PV4 represent passenger vehicle type 1, 2, 3 and 4 respectively. GV1, GV2, GV3, GV4, GV5, GV6 represent goods vehicle type 1, 2, 3, 4, 5 and 6 respectively.

7. *Traffic Distribution and Assignment:*

This study adopted the “Generalized-cost” as the factor to influence the decisions to select travel paths by the trip makers. This will arrive at a balanced trip distribution on the road network within the study area. The “generalized cost” includes all elements and factors (such as travel time, travel distance, vehicle operation cost and toll costs etc.) that may affect the choice of travel paths of the car drivers.

The traffic assignment model used by the Consultant has taken into consideration the road users’ willingness to pay certain travel costs and congestion levels on the Changyi Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two Traffic Analysis Zones is allocated by the model to the path of the lowest generalized cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalized cost. This process is repeated until traffic volumes on the competing highways reach a state of equilibrium. Revenue is then calculated by applying the toll rates to the traffic volumes by taking into account the distance travelled.

5 Traffic and Revenue Forecast Results

Based on the collected information and the forecasting analysis produced by the traffic model, the analysis base year and the end of forecast period were assumed to be 2023 and 15th April 2026 respectively. The future traffic volumes and revenues were derived with the application of the traffic model to reflect the economic development growths and road network changes since 2022. Table 5-1 summarizes the key contents of Base case, Conservative case and Optimistic case.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	<ol style="list-style-type: none"> 1. Opening of Changzhang North Line Expressway (Yiyang — Changde section) in late 2024. 2. ETC 5% discount for all vehicles. 3. Apart from ETC 5% discount for all vehicles, Changyi Expressway’s truck users are entitled to have extra toll concession. Toll concession for truck Class 2, Class 3, Class 4, Class 5 and Class 6 are 38%, 19%, 12%, 16% and 20% respectively. 4. The end of Forecast period is 15th April 2026. 5. No impact from further recovery from COVID-19⁽¹⁾ is included in the forecast.
(2) Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model reduced by 10%.
(3) Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model increased by 10%.

Note:

- (1) Based on actual traffic data up to 1H 2023, recovery from COVID-19 has an immaterial impact on the 1H 2023 traffic of the Changyi Expressway. Impact of further recovery from COVID-19 on 2H 2023 traffic is assumed to be immaterial, as economic growth and consumption activities have stabilised over the first 6 months of 2023. The impact of recovery from COVID-19 is incorporated into the 2023 traffic and revenue analysis with a conservative approach, by using actual 1H 2023 data and assuming there is no additional COVID-19 recovery impact during 2H 2023. 2023 is considered as the new normal state after COVID-19 and used as a base year. No impact from further recovery from COVID-19 is included in the forecast.

Source: Consultant, 2023

5.1 Traffic and Revenue Forecast Results (Base Case, Conservative Case and Optimistic Case)

Based on the above considerations, the average daily traffic, weighted average daily section traffic flows and toll revenue forecasts of Changyi Expressway are shown in Table 5-2, Table 5-3 and Table 5-4 respectively. The average daily traffic volume refers to the sum of project expressway daily traffic, including the number of vehicles leaving the project expressway toll station, the number of vehicles entering the project expressway but leaving from other expressways, and the number of vehicles passing through the project expressway but not entering to or leaving from the project expressway toll stations. Weighted average daily section flow is the summation of the product of daily traffic volume and mileage of each section and divided by the sum of the mileage.

Table 5-2 Average Daily Traffic on Changyi Expressway (Vehicles/Day)

Year	Average Daily Traffic (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	77860	77860	77860
2024	82802	82481	83124
2025 ⁽¹⁾	81627	81012	82241
2026	86189	85238	87133

Note:

- (1) The diversion impact of the new expressway (Changzhang North Line Expressway Yiyang - Changde section) will occur in 2025 and it is assumed that the diversion impact will complete within 1 year. Accordingly, there is no further diversion impact in 2026.

Source: Consultant, 2023

Table 5-3 Weighted Average Daily Section Flow on Changyi Expressway (Vehicles/Day)

Year	Weighted Average Daily Section Flow (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	43539	43539	43539
2024	46280	46103	46457
2025 ⁽¹⁾	45607	45267	45947
2026	48128	47607	48651

Note:

- (1) The diversion impact of the new expressway (Changzhang North Line Expressway Yiyang - Changde section) will occur in 2025 and it is assumed that the diversion impact will complete within 1 year. Accordingly, there is no further diversion impact in 2026.

Source: Consultant, 2023

Table 5-4 Annual Revenue Forecasts on Changyi Expressway (RMB' million)

Year	Annual Revenue (RMB' million)		
	Base Case	Conservative Case	Optimistic Case
2023	526	526	526
2024	560	558	562
2025	549	545	553
2026	167	165	168
Total	1,802	1,794	1,809

Source: Consultant, 2023

6 Conclusion

This Study carried out future traffic volume and revenue forecasting for Changyi Expressway from 2023 to 15th April, 2026. Based on collected information, the professional capability and past relevant experience of the Consultant, the major Study results are summarized as follows:

- 1) From 2023 to 15th April 2026, the forecasted annual average daily traffic on Changyi Expressway would increase from 77,860 vehicles/day in 2023 to 86,189 vehicles/day in 2026, representing a growth of 10.7%;
- 2) The forecasted annual revenue on Changyi Expressway would increase from 0.526 billion RMB/year in 2023 to 0.549 billion RMB/year in 2025. From 2023 to 15th April 2026, Changyi Expressway would have a total revenue of RMB1.802 billion.

This Consultant adopted the most updated and reliable forecasting techniques and professional guidelines in forecasting future traffic and revenue streams on the Expressway. However, the forecasted results in this Study and the actual conditions for the future years may have differences due to uncertainties and unforeseen events that could not be predicted at this juncture. In addition, the results of this Study would only reflect the general traffic and revenue variations over the entire commissioned period of the Expressway. Discrepancies for certain individual year(s) may still be possible. Despite extreme efforts were used by the Consultant to maintain technical excellence in the exercise, the Consultant bears no responsibility or liability for any forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, R.P.E. CPEng, FIHT, MHKIE, MRTPI, MIEAust

Project Director

For and on behalf of

WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 25 years of experience in various fields, including the transportation strategic planning, traffic engineering, traffic demand model, overall planning of traffic and transportation, as well as the traffic and revenue forecasting of toll roads in Hong Kong, Vietnam, Indonesia, South Korea and China.

Set out below are the texts of the report as of 17 November 2023 received from WB Group International Limited, an independent traffic consultant, in connection with traffic study on Longcheng Expressway in China for inclusion in this circular.



WB Group International Limited,
Unit G, 15/F, TAL Building,
49 Austin Road, Kowloon, Hong Kong,
P. R. China

As of 17th November 2023

The Directors,
Road King Infrastructure Limited,
Suite 501, 5/F, Tower 6, The Gateway,
9 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Dear Sirs,

Longcheng Expressway in Shanxi Province in China **Traffic and Toll Revenue Forecasting Study**

WB Group International Limited (the “Consultant”) was commissioned by Road King Expressway International Holdings Limited (‘RKE’), a subsidiary of Road King Infrastructure Limited, to carry out an independent traffic and toll revenue forecasts for Longcheng Expressway in Shanxi Province in China.

All reasonable and professional skills, judgement, care and due diligence have been exercised in preparing the Traffic and Toll Revenue Forecasting Study. A summary of the findings of this report is set out below:

1 Introduction

Yuci Longbai Village-Chengzhao, Qi County Expressway (“Longcheng Expressway”) is a key component of Beijing-Kunming Expressway, one of the seven radial expressways from the capital. The Longcheng Expressway has a total length of 71.58 km. It originates from Yuci Longbai Village located in the east of Taiyuan City, which connects with Taiyuan-Jiuguan Expressway (part of Qingdao - Yinchuan Expressway) and ends at Chengzhao in Qi County, which connects with Datong-Yuncheng Expressway (part of Beijing-Kuming Expressway). It is a critical component of the

national expressway system connecting Beijing to the south-western regions in China. It is the south-eastern section of the outer ring road in the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transportation traffic from the southern Shanxi Province and Shaanxi Province to the Bohai Rim region.

Longcheng Expressway is a closed system expressway¹ with four toll plazas and three interchanges which are fully functional. Its dual 6 lane carriageways have a design speed of 100 km per hour. The maximum speed limit is 120 km per hour. Longcheng Expressway has been collecting tolls since its operation in 2012 and is fully operational. The location of Longcheng Expressway is shown on Figure 1-1.

Figure 1-1 Location of Longcheng Expressway



Note: "Exp" means Expressway
Source: Consultant, 2023

2 Study Approach

The study approach and work steps are summarized below:

Step 1 : Data Collection - The Consultant collected relevant traffic/revenue information of Longcheng Expressway, including economic growth patterns, transport development plans, and forecasts of future development projects in the Shanxi Province and other areas in the vicinity of Longcheng Expressway.

¹ Close system Expressway: Expressway with controlled access. Toll stations are located at all the entry and exit points.

Step 2 : Existing Year Traffic Conditions - Based on the traffic and revenue information collected, the current economic and development activities along the Longcheng Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Longcheng Expressway to determine the 2023 annual average daily traffic, value of time and operation costs of Longcheng Expressway.

Step 3 : Road Network Development in Traffic Forecasting Model - This task included the development of a computer simulation model to replicate the existing traffic conditions along Longcheng Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programs from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

Step 4 : Socio-economic Analysis - In order to understand and to predict existing and future community and economic development trends in the Shanxi Province as well as the Project vicinity cities. The Consultant carried out detailed analyses on the latest community/economic information released by relevant Government agencies. The purpose of this task was to identify possible numerical relationships between historical travel demand figures and community/economic parameters. The extensive coverage and details of the data validated the accuracy of the coefficients.

Step 5 : Traffic Forecasting Model Development - The results of Steps 2-4 formulated the basis for development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 5.

Step 6 : Traffic and Revenue Forecast - The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised traffic forecasting model.

3 Historical Traffic and Revenue Data Collection and Analysis

The Consultant has collected the following historical data:

1. Longcheng Expressway monthly in-out traffic volume at toll stations by vehicle types from 2018 to July 2023;
2. Longcheng Expressway monthly section flow traffic volume by from 2018 to August 2023;
3. Longcheng Expressway monthly total traffic by vehicle types from 2018 to August 2023;
4. Longcheng Expressway monthly revenue by vehicle types from 2018 to August 2023.

In order to have a better understanding of the existing traffic levels, The Consultant obtained 1st - 7th July 2022 and 1st - 7th July 2023 project expressway Station-to-Station traffic flow data from the Shanxi Province Expressway Toll Collection Agency. The information will enable the Consultant to adequately understand the weekly traffic pattern, origins, destinations, vehicle types and distance travelled.

4 Basic Approach and Key Assumptions

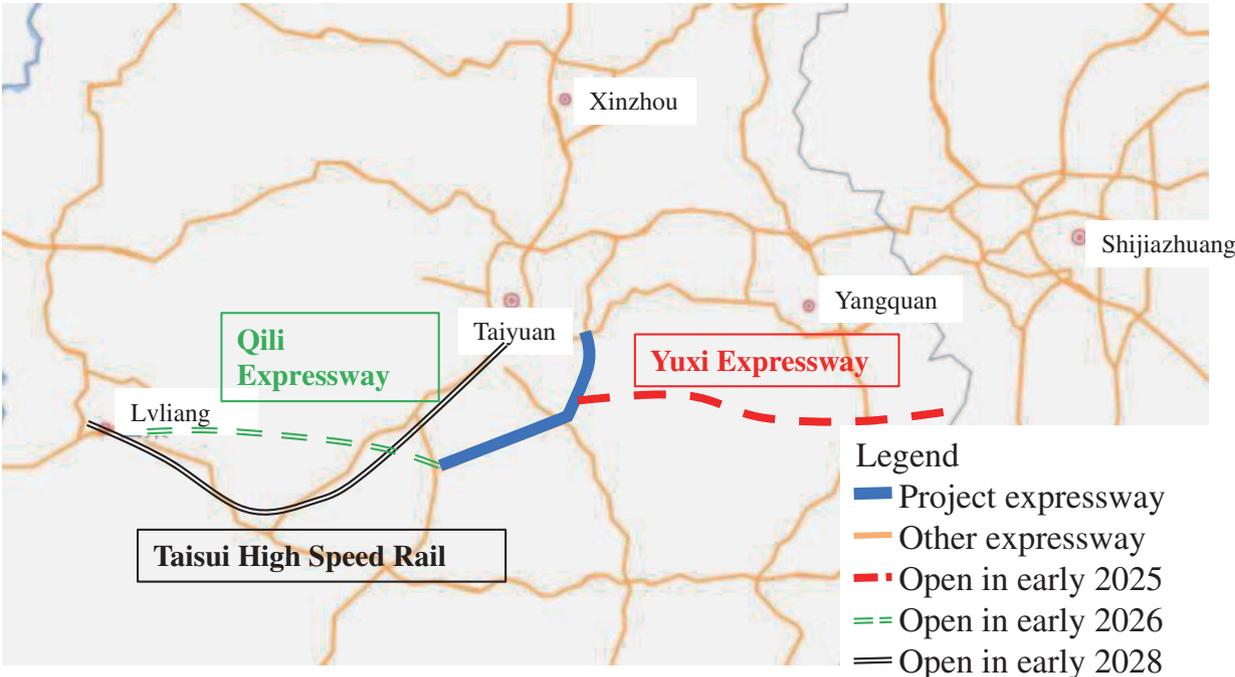
To enable reliable forecasting of future traffic on, and revenue projection for, the Longcheng Expressway, the Consultant developed a comprehensive socio-economic and traffic forecasting model. This section summarizes the main approach and the key assumptions used by the Consultant in its traffic and revenue forecast model:

1. *Forecasting Period:* Year 2023 to 5th October 2042
2. *Socio-Economic Model and Factors:* The purpose of this model was to derive the relationships developed between historical socio-economic situations and the future traffic generation. The economic parameters were subjected to correlation and regression analyses. The Consultant determined the future trends of the socio-economic parameters based on historical growth of China, and other provinces and municipalities, some other source of global economic projection such as Organization for Economic Co-operation and Development (OECD).
3. *Traffic Forecasting Model:* The professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The main objectives of the traffic forecasting model were to calibrate base year conditions, to adopt reasonable traffic growth assumptions and to predict traffic distribution and assignment patterns on the expressway network in order to obtain reasonable traffic and revenue forecast results.
4. *Traffic Model Calibration:* The Consultant has successfully calibrated the traffic model against existing traffic conditions to a technically acceptable level. The Consultant concluded that the calibrated model could adequately replicate travel paths on the expressway system and could be used to perform future traffic/revenue forecasting on the Longcheng Expressway.
5. *Road and Rail Network Assumptions:* In the base year road network development process, the Consultant made use of the existing China Provincial Expressway Network map as building blocks to develop the highway supply model which was then coded into EMME/3. All major highway facilities were included in the EMME/3 network, including expressways and national highways.

The Consultant carried out detailed analysis on future traffic and revenue forecasts for Longcheng Expressway based on the existing and new highway roads in future and the realistic 4-step traffic economic model.

Locations of new expressways are shown in Figure 4-1. The traffic impacts on Longcheng Expressway due to the opening of new expressways are summarised in Table 4-1.

Figure 4-1 Location of New Expressways



Source: Consultant, 2023

Table 4-1 New Expressways/railways with Traffic Impact

Name	Opening Year	Traffic Impact on Longcheng Expressway
Yuci-Xiyang Expressway (Yuxi Expressway)	Early 2025	Traffic Attraction
Qixian-Lishi Expressway (Qili Expressway)	Early 2026	Traffic Attraction
Taisui High Speed Rail	Early 2028	Traffic Diversion

Source: Consultant, 2023

6. Toll Rates:

The existing toll charges in RMB per vehicle per kilometer is summarized in Table 4-2.

Table 4-2 Longcheng Expressway Toll Charges (RMB/veh/km)

Class Type	Passenger Vehicle / Goods Vehicle (Truck)	Toll Rates⁽¹⁾ (RMB/ Vehicle/km)
PV1	≤ 9 Seats (length < 6m)	0.36
PV2	10 — 19 Seats (length < 6m)	0.54
PV3	20 — 39 Seats (length ≥ 6m)	0.87
PV4	≥40 seats (length ≥ 6m)	1.41
GV1	2 axles (length <6m and mass < 4500kg)	0.4
GV2	2 axles (length ≥ 6m or mass ≥ 4500kg)	1.07
GV3	3 axles	1.44
GV4	4 axles	1.92
GV5	5 axles	2.27
GV6	6 axles	2.58

Source: Shanxi Longcheng Expressway Co., Ltd., 2023

Note:

- (1) Toll rates in table are before applying discount.
- (2) 5% ETC discount for all vehicles. A 5% discount is given to all ETC users starting from 1st July 2019 in order to encourage the use of ETC according to the policy “Announcement About Encouraging the Application of ETC on Expressway” 《關於大力推動高速公路ETC 發展應用工作的通知》.
- (3) Apart from 5% ETC discount for all vehicles, Longcheng Expressway’s ETC truck users are entitled to have extra toll concession. Toll concession for truck Class 1, Class 2, Class 3, Class 4, Class 5 and Class 6 are 3%, 16.5%, 3%, 3%, 13% and 3% respectively.
- (4) PV1, PV2, PV3 and PV4 represent passenger vehicle type 1, 2, 3 and 4 respectively. GV1, GV2, GV3, GV4, GV5, GV6 represent goods vehicle type 1, 2, 3, 4, 5 and 6 respectively.

7. *Traffic Distribution and Assignment:*

This study adopted the “Generalized-cost” as the factor to influence the decisions to select travel paths by the trip makers. This will arrive at a balanced trip distribution on the road network within the study area. The “generalized cost” includes all elements and factors (such as travel time, travel distance, vehicle operation cost and toll costs etc.) that may affect the choice of travel paths of the car drivers.

The traffic assignment model used by the Consultant has taken into consideration the road users’ willingness to pay certain travel costs and congestion levels on the Longcheng Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two Traffic Analysis Zones is allocated by the model to the path of the lowest generalized cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalized cost. This process is repeated until traffic volumes on the competing highways reach a state of equilibrium. Revenue is then calculated by applying the toll rates to the traffic volumes by taking into account the distance travelled.

5 Traffic and Revenue Forecast Results

Based on the collected information and the forecasting analysis produced by the traffic model, the analysis base year and the end of forecast period were assumed to be 2023 and 5th October 2042 respectively. The future traffic volumes and revenues were derived with the application of the traffic model to reflect the economic development growths and road network changes since 2022. Table 5-1 summarizes the key contents of Base case, Conservative case and Optimistic case.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	<ol style="list-style-type: none"> 1. Strict restriction of MGV/HGV on Taiyuan Ring Road after full opening of Taiyuan Outer Ring Road in mid 2024. 2. Opening of Yuxi Expressway in early 2025. 3. Opening of Qili Expressway in early 2026. 4. Opening of Taisui High Speed Rail in early 2028. 5. ETC 5% discount for all vehicles. 6. Apart from ETC 5% discount for all vehicles, Longcheng Expressway's truck users are entitled to have extra toll concession. Toll concession for truck Class 1, Class 2, Class 3, Class 4, Class 5 and Class 6 are 3% , 16.5%, 3%, 3%, 13% and 3% respectively. 7. Forecast period ends on 5th October 2042. 8. No impact from further recovery from COVID-19⁽¹⁾ is included in the forecast.
(2) Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model reduced by 10%.
(3) Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model increased by 10%.

Note:

- (1) Based on actual traffic data up to 1H 2023, recovery from COVID-19 has an immaterial impact on the 1H 2023 traffic of the Longcheng Expressway. Impact of further recovery from COVID-19 on 2H 2023 traffic is assumed to be immaterial, as economic growth and consumption activities have stabilised over the first 6 months of 2023. The impact of recovery from COVID-19 is incorporated into the 2023 traffic and revenue analysis with a conservative approach, by using actual 1H 2023 data and assuming there is no additional COVID-19 recovery impact during 2H 2023. 2023 is considered as the new normal state after COVID-19 and used as a base year. No impact from further recovery from COVID-19 is included in the forecast.

Source: Consultant, 2023

5.1 Traffic and Revenue Forecast Results (Base Case, Conservative Case and Optimistic Case)

Based on the above considerations, the average daily traffic, weighted average daily section traffic flows and toll revenue forecasts of Longcheng Expressway are shown in Table 5-2, Table 5-3 and Table 5-4 respectively. The average daily traffic volume refers to the sum of project expressway daily traffic, including the number of vehicles leaving the project expressway toll station, the number of vehicles entering the project expressway but leaving from other expressways, and the number of vehicles passing through the project expressway but not entering to or leaving from the project expressway toll stations. Weighted average daily section flow is the summation of the product of daily traffic volume and mileage of each section and divided by the sum of the mileage.

Table 5-2 Average Daily Traffic on Longcheng Expressway (Vehicles/Day)

Year	Average Daily Traffic (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	23668	23668	23668
2024 ⁽¹⁾	26288	26130	26446
2025 ⁽¹⁾	30477	30120	30836
2026 ⁽¹⁾	33741	33164	34326
2027	36011	35210	36822
2028	37468	36453	38498
2029	39278	38042	40547
2030	41084	39614	42595
2031	42864	41158	44628
2032	44701	42747	46723
2033	46549	44339	48848
2034	48411	45936	50993
2035	50271	47531	53144
2036	52153	49134	55327
2037	54031	50735	57510
2038	55904	52324	59698
2039	57763	53895	61874
2040	59606	55451	64033
2041	61415	56973	66162
2042	63191	58466	68259

Note:

- (1) The significant growth is brought by the: (1) strict restriction of medium and heavy goods vehicles on Taiyuan Ring Road in mid-2024, leading to traffic diversion from Taiyuan Ring Road to Longcheng Expressway; (2) opening of Yuxi Expressway in early 2025, which will attract the traffic between Taiyuan and Hebei to Longcheng Expressway; and (3) opening of Qili Expressway in early 2026, which will attract the traffic between Taiyuan and Lvliang to Longcheng Expressway.

Source: Consultant, 2023

Table 5-3 Weighted Average Daily Section Flow on Longcheng Expressway (Vehicles/Day)

Year	Weighted Average Daily Section Flow (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	17449	17449	17449
2024 ⁽¹⁾	19417	19300	19533
2025 ⁽¹⁾	22594	22330	22860
2026 ⁽¹⁾	25079	24651	25512
2027	26782	26191	27384
2028	27830	27083	28593
2029	29193	28279	30131
2030	30552	29467	31671
2031	31895	30636	33200
2032	33280	31837	34780
2033	34675	33044	36379
2034	36079	34253	37993
2035	37483	35459	39615
2036	38905	36675	41258
2037	40325	37889	42906
2038	41742	39096	44556
2039	43149	40291	46197
2040	44544	41472	47830
2041	45918	42632	49441
2042	47265	43767	51025

Note:

- (1) The significant growth is brought by the: (1) strict restriction of medium and heavy goods vehicles on Taiyuan Ring Road in mid-2024, leading to traffic diversion from Taiyuan Ring Road to Longcheng Expressway; (2) opening of Yuxi Expressway in early 2025, which will attract the traffic between Taiyuan and Hebei to Longcheng Expressway; and (3) opening of Qili Expressway in early 2026, which will attract the traffic between Taiyuan and Lvliang to Longcheng Expressway.

Source: Consultant, 2023

Table 5-4 Annual Revenue Forecasts on Longcheng Expressway (RMB' million)

Year	Annual Revenue (RMB' million)		
	Base Case	Conservative Case	Optimistic Case
2023	512	512	512
2024	592	589	596
2025	712	704	721
2026	789	775	803
2027	842	822	861
2028	882	858	907
2029	921	891	952
2030	962	926	999
2031	1,002	961	1,045
2032	1,046	999	1,095
2033	1,085	1,032	1,141
2034	1,127	1,067	1,189
2035	1,169	1,103	1,238
2036	1,214	1,141	1,291
2037	1,253	1,174	1,337
2038	1,295	1,209	1,387
2039	1,336	1,243	1,436
2040	1,381	1,281	1,488
2041	1,417	1,311	1,532
2042	1,109	1,023	1,203
Total	20,646	19,621	21,733

Source: Consultant, 2023

6 Conclusion

This Study carried out future traffic volume and revenue forecasting for Longcheng Expressway from 2023 to 5th October, 2042. Based on collected information, the professional capability and past relevant experience of the Consultant, the major Study results are summarized as follows:

- 1) From 2023 to 5th October 2042, the forecasted annual average daily traffic on Longcheng Expressway would increase from a 23,668 vehicles/day in 2023 to 63,191 vehicles/day in 2042, representing a growth of 167%;
- 2) The forecasted annual revenue on Longcheng Expressway would increase from 0.512 billion RMB/year in 2023 to 1.417 billion RMB/year in 2041. From 2023 to 5th October 2042, Longcheng Expressway traffic would generate a total revenue of RMB20.646 billion.

This Consultant adopted the most updated and reliable forecasting techniques and professional guidelines in forecasting future traffic and revenue streams on the Expressway. However, the forecasted results in this Study and the actual conditions for the future years may have differences due to uncertainties and unforeseen events that could not be predicted at this juncture. In addition, the results of this Study would only reflect the general traffic and revenue variations over the entire commissioned period of the Expressway. Discrepancies for certain individual year(s) may still be possible. Despite extreme efforts were used by the Consultant to maintain technical excellence in the exercise, the Consultant bears no responsibility or liability for any forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, R.P.E. CPEng, FIHT, MHKIE, MRTPI, MIEAust

Project Director

For and on behalf of

WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 25 years of experience in various fields, including the transportation strategic planning, traffic engineering, traffic demand model, overall planning of traffic and transportation, as well as the traffic and revenue forecasting of toll roads in Hong Kong, Vietnam, Indonesia, South Korea and China.

Set out below are the texts of the report as of 17 November 2023 received from WB Group International Limited, an independent traffic consultant, in connection with traffic study on Machao Expressway in China for inclusion in this circular.



WB Group International Limited,
Unit G, 15/F, TAL Building,
49 Austin Road, Kowloon, Hong Kong,
P. R. China

As of 17th November 2023

The Directors,
Road King Infrastructure Limited,
Suite 501, 5/F, Tower 6, The Gateway,
9 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Dear Sirs,

Machao Expressway in Anhui Province in China
Traffic and Toll Revenue Forecasting Study

WB Group International Limited (the “Consultant”) was commissioned by Road King Expressway International Holdings Limited (‘RKE’), a subsidiary of Road King Infrastructure Limited, to carry out an independent traffic and toll revenue forecasts for Machao Expressway in Anhui Province in China.

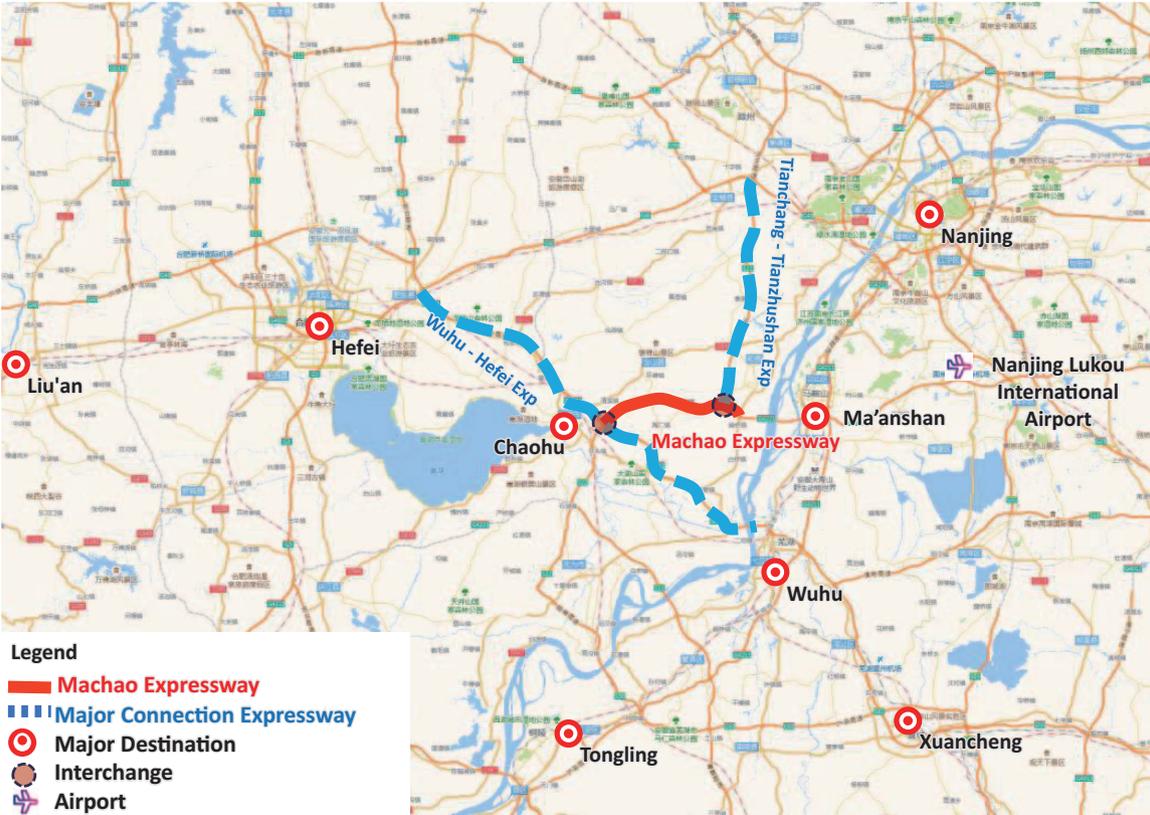
All reasonable and professional skills, judgement, care and due diligence have been exercised in preparing the Traffic and Toll Revenue Forecasting Study. A summary of the findings of this report is set out below:

1 Introduction

Ma’Anshan-Chaohu (“Machao Expressway”) has a total length of 35.77 km. It connects Ma’anshan City with Nanjing Lukou International Airport and provides the shortest route from Hefei to the developed coastal cities such as Changzhou, Wuxi, Suzhou and Shanghai in the Yangtze River Delta. It originates from Ma’anshan Yangtze River Bridge in He County and ends at Wuhu-Hefei Expressway in Hanshan County.

Machao Expressway is a closed system expressway¹ with one toll plaza and two interchanges which are all fully operational. Its dual 6 lane carriageways have a design speed of 100 to 120 km per hour. The maximum speed limit is 120 km per hour. Machao Expressway has been collecting toll since its operation at the end of 2013 and is fully operational. The location of Machao Expressway is shown on Figure 1-1.

Figure 1-1 Location of Machao Expressway



Note: "Exp" means Expressway
Source: Consultant, 2023

2 Study Approach

The study approach and work steps are summarized below:

Step 1 : Data Collection - The Consultant collected relevant traffic/revenue information of Machao Expressway, including economic growth patterns, transport development plans, and forecasts of future development projects in the Anhui Province and other areas in the vicinity of Machao Expressway.

¹ Close system Expressway: Expressway with controlled access. Toll stations are located at all the entry and exit points.

Step 2 : Existing Year Traffic Conditions - Based on the traffic and revenue information collected, the current economic and development activities along the Machao Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Machao Expressway to determine the 2023 annual average daily traffic, value of time and operation costs of Machao Expressway.

Step 3 : Road Network Development in Traffic Forecasting Model - This task included the development of a computer simulation model to replicate the existing traffic conditions along Machao Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programs from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

Step 4 : Socio-economic Analysis - In order to understand and to predict existing and future community and economic development trends in the Anhui Province as well as the Project vicinity cities. The Consultant carried out detailed analyses on the latest community/economic information released by relevant Government agencies. The purpose of this task was to identify possible numerical relationships between historical travel demand figures and community/economic parameters. The extensive coverage and details of the data validated the accuracy of the coefficients.

Step 5 : Traffic Forecasting Model Development - The results of Steps 2-4 formulated the basis for development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 5.

Step 6 : Traffic and Revenue Forecast - The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised traffic forecasting model.

3 Historical Traffic and Revenue Data Collection and Analysis

The Consultant has collected the following historical data:

1. Machao Expressway monthly in-out traffic volume at toll station (including toll free vehicles) from 2018 to July 2023;
2. Machao Expressway monthly section flow traffic volume from 2018 to August 2023;
3. Machao Expressway monthly toll revenues from 2018 to August 2023.

In order to have a better understanding of the existing traffic levels, The Consultant obtained 1st - 7th July 2022 and 1st - 7th July 2023 project expressway Station-to-Station traffic flow data from the Anhui Province Expressway Toll Collection Agency. The information will enable the Consultant to adequately understand the weekly traffic pattern, origins, destinations, vehicle types and distance travelled.

4 Basic Approach and Key Assumptions

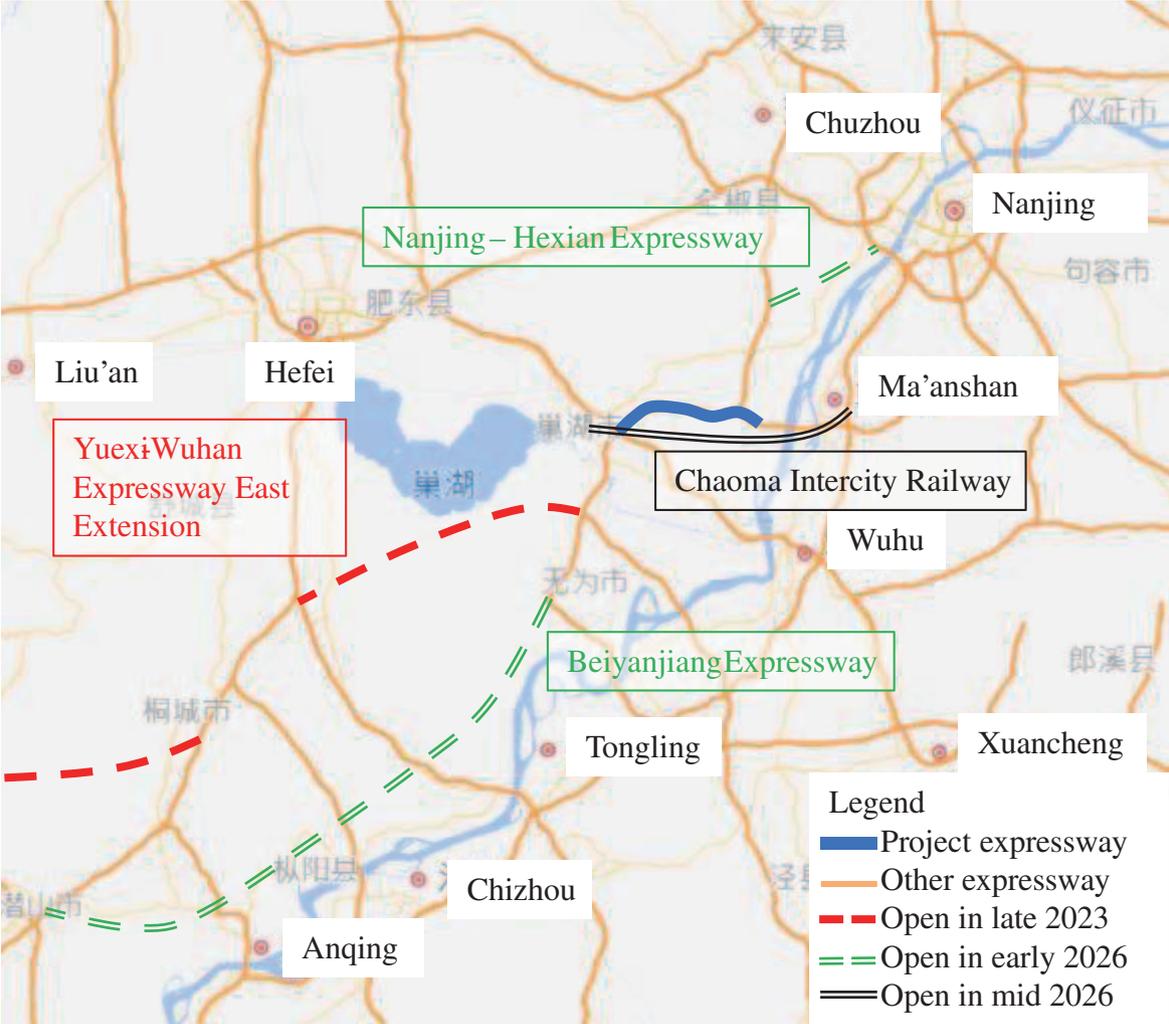
To enable reliable forecasting of future traffic on, and revenue projection for, the Machao Expressway, the Consultant developed a comprehensive socio-economic and traffic forecasting model. This section summarizes the main approach and the key assumptions used by the Consultant in its traffic and revenue forecast model:

- 1. *Forecasting Period:* Year 2023 to 18th March 2044
- 2. *Socio-Economic Model and Factors:* The purpose of this model was to derive the relationships developed between historical socio-economic situations and the future traffic generation. The economic parameters were subjected to correlation and regression analyses. The Consultant determined the future trends of the socio-economic parameters based on historical growth of China, and other provinces and municipalities, some other source of global economic projection such as Organization for Economic Co-operation and Development (OECD).
- 3. *Traffic Forecasting Model:* The professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The main objectives of the traffic forecasting model were to calibrate base year conditions, to adopt reasonable traffic growth assumptions and to predict traffic distribution and assignment patterns on the expressway network in order to obtain reasonable traffic and revenue forecast results.
- 4. *Traffic Model Calibration:* The Consultant has successfully calibrated the traffic model against existing traffic conditions to a technically acceptable level. The Consultant concluded that the calibrated model could adequately replicate travel paths on the expressway system and could be used to perform future traffic/revenue forecasting on the Machao Expressway.
- 5. *Road and Rail Network Assumptions:* In the base year road network development process, the Consultant made use of the existing China Provincial Expressway Network map as building blocks to develop the highway supply model which was then coded into EMME/3. All major highway facilities were included in the EMME/3 network, including expressways and national highways.

The Consultant carried out detailed analysis on future traffic and revenue forecasts for Machao Expressway based on the existing and new highway roads in future and the realistic 4-step traffic economic model.

Locations of new expressways are shown in Figure 4-1. The traffic impacts on Machao Expressway due to the opening of new expressways are summarised in Table 4-1.

Figure 4-1 Location of New Expressways



Source: Consultant, 2023

Table 4-1 New Expressways/railways with Traffic Impact

Name	Opening Year	Traffic Impact on Machao Expressway
Yuexi-Wuhan Expressway East Extension	Late 2023	Traffic Attraction
Nanjing - Hexian Expressway & Beianjiang Expressway section from Wuwei to Anqing	Early 2026	Traffic Attraction
Chaoma Intercity Railway	Mid 2026	Traffic Diversion

Source: Consultant, 2023

6. *Toll Rates:*

The existing toll charges in RMB per vehicle per kilometer is summarized in Table 4-2.

Table 4-2 Machao Expressway Toll Charges (RMB/veh/km)

Class Type	Passenger Vehicle / Goods Vehicle (Truck)	Toll Rates ⁽¹⁾
		(RMB/ Vehicle/km)
PV1	≤ 9 Seats (length < 6m)	0.45
PV2	10 — 19 Seats (length < 6m)	0.80
PV3	20 — 39 Seats (length ≥ 6m)	1.10
PV4	≥40 seats (length ≥ 6m)	1.30
GV1	2 axles (length <6m and mass < 4500kg)	0.45
GV2	2 axles (length ≥ 6m or mass ≥ 4500kg)	0.90
GV3	3 axles	1.35
GV4	4 axles	1.70
GV5	5 axles	1.85
GV6	6 axles	2.20

Source: Anhui Machao Expressway Co., Ltd., 2023

Note:

- (1) Toll rates in table are before applying discount.
- (2) ETC 5% discount for all vehicles. A 5% discount is given to all ETC users starting from 1st July 2019 in order to encourage the use of ETC according to the policy “Announcement About Encouraging the Application of ETC on Expressway” 《關於大力推動高速公路ETC 發展應用工作的通知》.
- (3) Apart from ETC 5% discount for all vehicles, Machao Expressway’s truck users with Anhui Transport Card are entitled to have extra 10% toll concession.
- (4) PV1, PV2, PV3 and PV4 represent passenger vehicle type 1, 2, 3 and 4 respectively. GV1, GV2, GV3, GV4, GV5, GV6 represent goods vehicle type 1, 2, 3, 4, 5 and 6 respectively.

7. *Traffic Distribution and Assignment:*

This study adopted the “Generalized-cost” as the factor to influence the decisions to select travel paths by the trip makers. This will arrive at a balanced trip distribution on the road network within the study area. The “generalized cost” includes all elements and factors (such as travel time, travel distance, vehicle operation cost and toll costs etc.) that may affect the choice of travel paths of the car drivers.

The traffic assignment model used by the Consultant has taken into consideration the road users’ willingness to pay certain travel costs and congestion levels on the Machao Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two Traffic Analysis Zones is allocated by the model to the path of the lowest generalized cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalized cost. This process is repeated until traffic volumes on the competing highways reach a state of equilibrium. Revenue is then calculated by applying the toll rates to the traffic volumes by taking into account the distance travelled.

5 Traffic and Revenue Forecast Results

Based on the collected information and the forecasting analysis produced by the traffic model, the analysis base year and the end of forecast period were assumed to be 2023 and 18th March 2044 respectively. The future traffic volumes and revenues were derived with the application of the traffic model to reflect the economic development growths and road network changes since 2022. Table 5-1 summarizes the key contents of Base case, Conservative case and Optimistic case.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	<ol style="list-style-type: none"> 1. Opening of Yuewu Expressway East Extension in late 2023. 2. Opening of Nanjing - Hexian Expressway & Beiyanjiang Expressway section from Wuwei to Anqing in early 2026. 3. Opening of Chaoma Intercity Railway in mid 2026. 4. ETC 5% discount for all vehicles. 5. Apart from ETC 5% discount for all vehicles, Machao Expressway’s truck users are entitled to have extra toll concession. Toll concession for all classes of truck are 15%. 6. Forecast period ends on 18th March 2044. 7. No impact from further recovery from COVID-19⁽¹⁾ is included in the forecast.
(2) Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model reduced by 10%.
(3) Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions in socio-economic-traffic forecasting model increased by 10%.

APPENDIX VID TRAFFIC STUDY REPORT ON MACHAO EXPRESSWAY

Note:

- (1) Based on actual traffic data up to 1H 2023, recovery from COVID-19 has a positive impact on the 1H 2023 traffic of the Machao Expressway. Impact of further recovery from COVID-19 on 2H 2023 traffic is assumed to be immaterial, as economic growth and consumption activities have stabilised over the first 6 months of 2023. The impact of recovery from COVID-19 is incorporated into the 2023 traffic and revenue analysis with a conservative approach, by using actual 1H 2023 data and assuming there is no additional COVID-19 recovery impact during 2H 2023. 2023 is considered as the new normal state after COVID-19 and used as a base year. No impact from further recovery from COVID-19 is included in the forecast.

Source: Consultant, 2023

5.1 Traffic and Revenue Forecast Results (Base Case, Conservative Case and Optimistic Case)

Based on the above considerations, the average daily traffic, weighted average daily section traffic flows and toll revenue forecasts of Machao Expressway are shown in Table 5-2, Table 5-3 and Table 5-4 respectively. The average daily traffic volume refers to the sum of project expressway daily traffic, including the number of vehicles leaving the project expressway toll station, the number of vehicles entering the project expressway but leaving from other expressways, and the number of vehicles passing through the project expressway but not entering to or leaving from the project expressway toll stations. Weighted average daily section flow is the summation of the product of daily traffic volume and mileage of each section and divided by the sum of the mileage.

Table 5-2 Average Daily Traffic on Machao Expressway (Vehicles/Day)

Year	Average Daily Traffic (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	49293	49293	49293
2024	55058	54705	55412
2025	59781	59030	60534
2026	66979	65753	68215
2027	71939	70233	73674
2028	77096	74873	79366
2029	82392	79619	85238
2030	87810	84461	91265
2031	93277	89331	97351
2032	98785	94230	103497
2033	104306	99137	109657
2034	109802	104029	115774
2035	115236	108875	120636
2036	120366	114455	122636
2037	122380	119524	122537
2038 ⁽¹⁾	122268	122106	122452
2039	122173	121982	122384
2040	122091	121870	122329
2041	122027	121772	122296
2042	121979	121688	122271
2043	121946	121623	122253
2044	121919	121574	122244

APPENDIX VID TRAFFIC STUDY REPORT ON MACHAO EXPRESSWAY

Note:

- (1) As Machao Expressway will begin to be congested from 2036-2037 as the ratio of its goods vehicle increases, the weighted average daily section flow will decrease since the goods vehicle (equivalent to higher passenger car unit factor) will occupy more space on the road.

Source: Consultant, 2023

Table 5-3 Weighted Average Daily Section Flow on Machao Expressway (Vehicles/Day)

Year	Weighted Average Daily Section Flow (Vehicle/Day)		
	Base Case	Conservative Case	Optimistic Case
2023	40106	40106	40106
2024	44759	44473	45046
2025	48595	47987	49208
2026	54376	53385	55379
2027	58404	57024	59810
2028	62593	60793	64432
2029	66893	64651	69199
2030	71295	68583	74093
2031	75737	72543	79038
2032	80213	76528	84033
2033	84701	80518	89039
2034	89171	84495	94006
2035	93591	88439	97378
2036	97190	92975	98470
2037	98287	96686	98394
2038 ⁽¹⁾	98202	98091	98326
2039	98127	97997	98271
2040	98062	97909	98224
2041	98007	97833	98189
2042	97963	97768	98164
2043	97928	97712	98144
2044	97901	97665	98128

Note:

- (1) As Machao Expressway will begin to be congested from 2036-2037 as the ratio of its goods vehicle increases, the weighted average daily section flow will decrease since the goods vehicle (equivalent to higher passenger car unit factor) will occupy more space on the road.

Source: Consultant, 2023

Table 5-4 Annual Revenue Forecasts on Machao Expressway (RMB' million)

Year	Annual Revenue (RMB' million)		
	Base Case	Conservative Case	Optimistic Case
2023	394	394	394
2024	445	443	448
2025	482	477	488
2026	547	538	557
2027	588	575	602
2028	633	615	651
2029	675	653	698
2030	720	693	748
2031	766	734	798
2032	814	778	852
2033	858	817	901
2034	905	858	953
2035	951	900	988
2036	992	950	1,004
2037	1,002	987	1,001
2038	1,002	1,003	1,001
2039	1,002	1,003	1,002
2040	1,005	1,006	1,005
2041	1,003	1,004	1,002
2042	1,003	1,004	1,002
2043	1,003	1,004	1,002
2044	214	215	214
Total	17,004	16,651	17,311

Source: Consultant, 2023

6 Conclusion

This Study carried out future traffic volume and revenue forecasting for Machao Expressway from 2023 to 18th March, 2044. Based on collected information, the professional capability and past relevant experience of the Consultant, the major Study results are summarized as follows:

- 1) From 2023 to 18th March 2044, the forecasted annual weighted average daily sectional traffic on Machao Expressway traffic would increase from 40,106 vehicles/day in 2023 to 97,901 vehicles/day in 2044, representing a growth of 144%;
- 2) The forecasted annual revenue on Machao Expressway would increase from 0.394 billion RMB/year in 2023 to 1.003 billion RMB/year in 2043. From 2023 to 18th March 2044, Machao Expressway traffic would generate a total revenue of RMB17.004 billion.

This Consultant adopted the most updated and reliable forecasting techniques and professional guidelines in forecasting future traffic and revenue streams on the Expressway. However, the forecasted results in this Study and the actual conditions for the future years may have differences due to uncertainties and unforeseen events that could not be predicted at this juncture. In addition, the results of this Study would only reflect the general traffic and revenue variations over the entire commissioned period of the Expressway. Discrepancies for certain individual year(s) may still be possible. Despite extreme efforts were used by the Consultant to maintain technical excellence in the exercise, the Consultant bears no responsibility or liability for any forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, R.P.E. CPEng, FIHT, MHKIE, MRTPI, MIEAust

Project Director

For and on behalf of

WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 25 years of experience in various fields, including the transportation strategic planning, traffic engineering, traffic demand model, overall planning of traffic and transportation, as well as the traffic and revenue forecasting of toll roads in Hong Kong, Vietnam, Indonesia, South Korea and China.

**APPENDIX VII LETTER FROM THE FINANCIAL ADVISER IN RELATION TO
THE PROFIT FORECAST INCLUDED IN THE VALUATION REPORT**

Set out below is the text of a letter dated 17 November 2023 received from the Financial Adviser in relation to the profit forecast included in the Valuation Report.



UBS AG

Hong Kong Branch
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52/F, 8 Finance Street
Central, Hong Kong
Tel. +852-2971-8888

www.ubs.com

17 November 2023

The Board of Directors
Road King Infrastructure Limited
Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong

Dear Sirs,

We refer to the valuation report dated 17 November 2023 (the “**Valuation Report**”) in respect of the valuation of the 100% equity interest in Road King (China) Infrastructure Limited (the “**Target Company**”) as at 31 August 2023, prepared by RHL Appraisal Limited (“**RHL**”). The Target Company is wholly-owned by Road King Expressway International Holdings Limited (the “**Seller**”), which is an indirect subsidiary owned as to 75% by Road King Infrastructure Limited (the “**Company**”). The remaining 25% shareholding interest in the Seller is held by Asia Belt and Road Expressway Company Limited, which in turn is ultimately owned by CVC Asia Fund IV. Capitalised terms used herein, unless otherwise defined, shall have the same meanings as defined in the announcement of the Company dated 17 November 2023 in connection with, among others, VERY SUBSTANTIAL DISPOSAL — PROPOSED DISPOSAL OF SALE SHARES (the “**Announcement**”).

We understand that the Valuation Report has been provided to you in connection with the Company’s proposed disposal of 100% equity interest in the Target Company.

We note that the Valuation Report has been prepared partly based on, among other things, the income approach, an appraisal approach to identify the value of the target of evaluation by discounted cash flows, and is therefore regarded as profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We are not reporting on the arithmetical calculations of the Forecast and the adoption of the accounting policies thereof, and our work does not constitute any valuation or fairness opinion of the shareholders’ equity of the Target Company. We have assumed, without independent verification, the accuracy of the parameters stated in the Valuation Report. We have assumed that all information, materials, opinions and/or representations supplied, including all information, materials, opinions and/or representations referred to or contained in the Announcement, for which the Directors are solely responsible, were true, accurate, complete and not misleading at the time they were supplied or made and continued to be so up to the date of this letter and that no material fact or information

**APPENDIX VII LETTER FROM THE FINANCIAL ADVISER IN RELATION TO
THE PROFIT FORECAST INCLUDED IN THE VALUATION REPORT**

has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review. In addition, the qualifications, bases and assumptions adopted by RHL are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of RHL and the Company.

We have reviewed the Forecast of the Target Company included in the Valuation Report, for which you as the Directors are solely responsible. We have attended discussions involving the management of the Company, RHL and Target Company, where (i) the historical performance of the Expressways, (ii) the traffic flow forecast of the Expressways, (iii) the calculations of the Forecast, and (iv) the qualifications, bases and assumptions set out in the Valuation Report were discussed. We have also considered the report to the Directors from Deloitte Touche Tohmatsu as set out in Appendix I to the Announcement on the calculations of the discounted cash flows on which the Forecast is based. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by RHL, for which RHL and the Company are responsible, we are satisfied that the Forecast included in the Valuation Report and disclosed in the Announcement, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose.

We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,
For and on behalf of
UBS AG Hong Kong Branch

Samson LO
Managing Director

Jun LUO
Managing Director

**APPENDIX VIII ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS
IN RELATION TO THE CALCULATION OF DISCOUNTED
CASH FLOWS IN CONNECTION WITH THE VALUATION REPORT**

Set out below is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

**INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED
FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100%
EQUITY INTEREST IN ROAD KING (CHINA) INFRASTRUCTURE LIMITED**

TO THE DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

We have examined the calculations of the discounted future estimated cash flows, on which the valuation prepared by RHL Appraisal Limited dated 17 November 2023, of 100% equity interest in Road King (China) Infrastructure Limited (the "Target Company") as at 31 August 2023 (the "Valuation") is based. The Target Company is an investment holding company incorporated in the British Virgin Islands. The principal businesses of the Target Company and its subsidiaries are the investment in, and the development, operation and management of expressway projects in the People's Republic of China through holding interests in joint ventures with respective joint venture partners. Each joint venture has the right to operate the section of the expressway held by it during the concession period in accordance with the relevant joint venture contracts. 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") and will be included in an announcement dated 17 November 2023 to be issued by Road King Infrastructure Limited (the "Company") in connection with the disposal of all the shares in issue of the Target Company (the "Announcement").

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 in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation 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 (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

**APPENDIX VIII ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS
IN RELATION TO THE CALCULATION OF DISCOUNTED
CASH FLOWS IN CONNECTION WITH THE VALUATION REPORT**

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 and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted 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 comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on 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 Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of 100% equity interest in the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, 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 Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 November 2023

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' interests and short position

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Shares

Name of Directors	Nature of interest	Notes	Number of Shares held		Percentage of holding % (Note 3)
			Long position	Short position	
Zen Wei Peu, Derek	Personal	1 & 2	24,649,000	-	3.29
Fong Shiu Leung, Keter	Personal	1	260,000	-	0.03

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Included in the balance is 1,000,000 Shares held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
3. The percentage was calculated based on 749,336,566 Shares in issue as at the Latest Practicable Date.

(b) Debentures of Associated Corporations

Name of Directors	Name of companies	Nature of interest	Type of debentures	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 <i>(Note 1)</i> (long position)
	RKPF Overseas 2019 (E) Limited	Personal	US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US\$46,450,000 <i>(Note 2)</i> (long position)
	RKP Overseas Finance 2016 (A) Limited	Personal	US\$300 million 7.95% senior guaranteed perpetual capital securities	US\$4,050,000 <i>(Note 3)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$12,500,000 <i>(Note 4)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$300 million 5.9% guaranteed senior notes	US\$2,000,000 <i>(Note 5)</i> (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US\$415.6 million 6% guaranteed senior notes	US\$10,300,000 <i>(Note 6)</i> (long position)
Wong Wai Ho	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$200,000 (long position)

Notes:

1. A principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
2. A principal amount of US\$1,300,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$41,000,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such securities has been pledged to an independent third party other than a qualified lender. A principal amount of US\$2,150,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Prepared Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek.
3. A principal amount of US\$4,050,000 of US\$300 million 7.95% senior guaranteed perpetual capital securities was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

4. A principal amount of US\$3,500,000 of US\$480 million 6.7% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$9,000,000 of US\$480 million 6.7% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.
5. A principal amount of US\$1,000,000 of US\$300 million 5.9% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
6. A principal amount of US\$2,000,000 of US\$415.6 million 6% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$5,900,000 of US\$415.6 million 6% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

(ii) Substantial Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) no person had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Nature of interest	Number of Shares held		Percentage of holding % (Note 11)
		Long position (Note 1)	Short position	
Wai Kee Holdings Limited (Note 2)	Interest in controlled corporation	336,608,428	-	44.92
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	336,608,428	-	44.92
Groove Trading Limited (Note 4)	Beneficial owner	81,880,000	-	10.93
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	251,728,428	-	33.59
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	251,728,428	-	33.59
ZWP Investments Limited (Note 6)	Beneficial owner	251,728,428	-	33.59

Name of Shareholders	Nature of interest	Number of Shares held		Percentage of holding % (Note 11)
		Long position (Note 1)	Short position	
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	-	27.00
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	-	27.00
Shenzhen Investment Limited (“Shenzhen Investment”) (Note 9)	Interest in controlled corporation	202,334,142	-	27.00
Brightful Investment Holding Limited (Note 10)	Beneficial owner	202,334,142	-	27.00

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Wai Kee Holdings Limited (“Wai Kee”) is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 Shares. Mr. Zen Wei Peu, Derek is a director of Wai Kee.
3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens) Holding Limited.
4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Mr. Zen Wei Peu, Derek is a director of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.
5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Mr. Zen Wei Peu, Derek is a director of Wai Kee China Investments Company Limited.
6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Mr. Zen Wei Peu, Derek is a director of ZWP Investments Limited.
7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the Shares through its 90% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong). Ms. Cai Xun is a director of 深業集團有限公司 (Shum Yip Group Limited*).

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its approximately 63.19% interests in Shenzhen Investment. Ms. Cai Xun is a director of Shum Yip Holdings Company Limited.
9. Shenzhen Investment is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Brightful Investment Holding Limited. Ms. Cai Xun and Mr. Xu Enli are directors of Shenzhen Investment.
10. Brightful Investment Holding Limited is a direct wholly-owned subsidiary of Shenzhen Investment.
11. The percentage was calculated based on 749,336,566 Shares in issue as at the Latest Practicable Date.

* *for identification purpose only*

3. DIRECTORS' INTERESTS

None of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group as a whole.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or may compete with the business of the Group:

Name of Directors	Name of entities whose business is considered to compete or likely to compete with the businesses of the Company	Description of business of the entities which is considered to compete or likely to compete with the businesses of the Company	Nature of interest of the Directors in the entities
Cai Xun	Shenzhen Investment group of companies (including its holding companies)	Property development, investment and management in PRC	Director
Xu Enli	Shenzhen Investment group of companies (including its holding companies)	Property development, investment and management in PRC	Director

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposes to enter into any service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

Save for the SPA, neither the Company nor any other member of the Group has entered into any material contracts (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and to the best of the Directors' knowledge, information and belief, there was no litigation or claims of material importance pending or threatened against the Company or any other member of the Group.

7. EXPERTS AND CONSENT

The following is the qualification of the experts whose report is contained or referred to in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants, registered public interest entity auditors
RHL Appraisal Limited	Independent professional valuer
UBS AG Hong Kong Branch	A registered institution under the SFO which is registered to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
WB Group International Limited	Independent professional traffic consultant

Each of the above-named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of Deloitte, RHL and WB Group International Limited has any shareholding in any member of the Group nor does any of them have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, UBS held Shares (representing less than 0.07% of the Shares in issue) and did not otherwise have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above-named experts did not have any direct or indirect interest in the Disposal or any assets which has been, since 31 December 2022 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

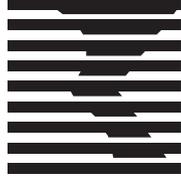
1. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and principal place of business of the Company is Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
3. The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
4. The secretary of the Company is Mr. Lee Tak Fai, Kennedy. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants.
5. In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (<https://www.roadking.com.hk>) for a period of not less than 14 days prior to the SGM:

- (a) the SPA;
- (b) the assurance report from Deloitte Touche Tohmatsu on the compilation of unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (c) the Valuation Report prepared by RHL Appraisal Limited, the text of which is set out in Appendix V to this circular;
- (d) the traffic study report on Baojin Expressway prepared by WB Group International Limited, the text of which is set out in Appendix VIA to this circular;
- (e) the traffic study report on Changyi Expressway prepared by WB Group International Limited, the text of which is set out in Appendix VIB to this circular;
- (f) the traffic study report on Longcheng Expressway prepared by WB Group International Limited, the text of which is set out in Appendix VIC to this circular;
- (g) the traffic study report on Machao Expressway prepared by WB Group International Limited, the text of which is set out in Appendix VID to this circular;
- (h) the letter from UBS in relation to the profit forecast included in the Valuation Report, the text of which is set out in Appendix VII to this circular;
- (i) the assurance report from Deloitte Touche Tohmatsu in relation to the calculation of discounted cash flows in connection with the Valuation Report, the text of which is set out in Appendix VIII to this circular; and
- (j) the written consents referred to in the paragraph headed "Experts and Consent" in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**”) of Road King Infrastructure Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 20 December 2023 at 10:00 a.m. for the purpose of considering, and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (i) the disposal of all the shares in issue of Road King (China) Infrastructure Limited by Road King Expressway International Holdings Limited (路勁高速公路國際控股有限公司) (the “**Disposal**”) pursuant to the sale and purchase agreement entered into between Road King Expressway International Holdings Limited (路勁高速公路國際控股有限公司) and Cornerstone Holdings Limited (佳選控股有限公司) on 17 November 2023 (a copy of which has been produced to this Meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved; and
- (ii) the Directors of the Company be and are hereby authorised to do all things and acts which they consider necessary, desirable or expedient in connection with the Disposal.”

By order of the Board
Lee Tak Fai, Kennedy
Company Secretary

Hong Kong, 4 December 2023

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Notes:

1. The register of members of the Company will be closed from Tuesday, 19 December 2023 to Wednesday, 20 December 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered for the purpose of determining the eligibility of the members of the Company to attend and vote at the Meeting. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited (the "**Branch Share Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Monday, 18 December 2023 for registration.
2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting or at a class meeting.
3. The form of proxy must be signed by a member of the Company or the attorney duly authorised in writing or, in the case of a corporation, must be either under its seal and under the hand of an officer or attorney or other person duly authorised to sign the same. In case of joint holders, the signature of any one of them is sufficient.
4. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the office of the Branch Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or at any adjournment thereof. In such event, the form of proxy shall be deemed to be revoked.
6. In the case of joint holders of any share, if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of joint holding.
7. **Precautionary Measures**

The Company will be undertaking the body temperature check and any other precautionary measures to safeguard the health and well-being of the shareholders (or their proxies) who are attending the Meeting in person. To reduce close contact between attendees at the physical Meeting, no souvenirs, refreshment or drinks will be served. Any person who refuses to co-operate with the precautionary measures or has a body temperature over 37.0 degrees Celsius, or has any flu-like symptoms will not be admitted to the Meeting venue.