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.

ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

MAJOR TRANSACTION
ACQUISITION OF 39.77% EQUITY INTERESTS
IN AN INDONESIAN COMPANY
WHICH OPERATES THE SB EXPRESSWAY

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, 30 November 2022 at 9:30 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 safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

- body temperature check
- health declaration
- wearing surgical face mask
- social distancing
- access restriction for quarantine participants according to the Department of Health of Hong Kong
- present COVID-19 vaccination record of at least two doses, either electronic or print
- any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic
- **no refreshment**

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. **The Company reminds the Shareholders that physical attendance is not necessary for the purpose of exercising their rights and encourages the Shareholders to exercise their right to vote by appointing the Chairman of the SGM instead of attending the SGM in person.**

14 November 2022

CONTENTS

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

"Acquisition"	means the acquisition of 39.77% equity interest in the Target Company by Kings Bless pursuant to the Conditional SPA;
"Amended and Restated Shareholders Agreement"	means the amended and restated shareholders agreement of the Target Company to be entered into between Kings Bless, JTT and LMJ prior to Completion;
"Announcement"	means the announcement of the Company dated 27 September 2022;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Board"	means the board of Directors;
"Bye-laws"	means the bye-laws of the Company;
"Call Options"	means two call options over approximately 19.77% and 19.77% equity interests in the Target Company held by SMI and RDPT SAM respectively, granted by SMI and RDPT SAM in favour of WTR;
"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;
"Completion"	means completion of the Acquisition;
"Completion Date"	means date of completion of the Acquisition;
"Completion Date Net Debt Amount"	means the amount equal to 39.77% of the Net Debt Amount as at the Completion Date as shown in the completion accounts;
"Condition Satisfaction Date"	means the date on which the last of the conditions precedent (save for the conditions precedent stated in sub-paragraph (i) of the section headed "DETAILS OF THE ACQUISITION – Conditions precedent" in the Letter from the Board of this circular) having been satisfied or waived in accordance with the Conditional SPA which shall not be later than the Long Stop Date;

"Conditional SPA"	means the amended and restated conditional sale and purchase agreement entered into between the Parties and dated 26 October 2022;
"connected persons"	has the meaning ascribed to it under the Listing Rules;
"Deed of Shareholders Agreement"	means the deed of shareholders agreement of the Target Company dated 5 July 2018 as lastly amended by the third addendum dated 1 October 2021;
"Director(s)"	means the directors of the Company;
"Enlarged Group"	means the Group as enlarged by the Acquisition;
"Estimated Net Debt Amount"	means the amount equal to 39.77% of the Net Debt Amount as at the Completion Date as estimated by the Parties;
"Facility Agreement"	means the facility agreement entered into between the Target Company and the Syndicated Creditors and dated 27 December 2021;
"First Payment"	means the payment of IDR3,629.5 billion (approximately HK$1,880.6 million) from Kings Bless to WTR for the exercise of the Call Options and acquisition of the Remaining SMI Shares;
"Group"	means the Company and its subsidiaries;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRS"	means the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (as amended, supplemented or otherwise modified from time to time);
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"IDR"	means Indonesian Rupiah, the lawful currency of Indonesia;
"Independent Third Parties"	means third parties independent of the Company and its connected persons;
"Indonesia"	means the Republic of Indonesia;

"JM"	means PT Jasa Marga (Persero), Tbk., a limited liability company established in Indonesia;
"JMKT"	means PT Jasamarga Kualanamu Tol, a limited liability company established in Indonesia owned as to 55% and 45% by JM and Kings Ring respectively;
"JNKK"	means PT Jasamarga Ngawi Kertosono Kediri, a limited liability company established in Indonesia owned as to 40%, 45% and 14.97% by Kings Key, JTT and LMJ, respectively;
"JSN"	means PT Jasamarga Solo Ngawi, a limited liability company established in Indonesia owned as to 40%, 42.6% and 17.4% by Kings Key, JTT and LMJ, respectively;
"JTT"	means PT Jasamarga Transjawa Tollroad, one of the current shareholders of the Target Company;
"Kings Bless"	means Kings Bless Limited, a company incorporated in Hong Kong which is wholly-owned by RKE;
"Kings Key"	means Kings Key Limited, a company incorporated in Hong Kong which is wholly-owned by RKE;
"Kings Ring"	means Kings Ring Limited, a company incorporated in Hong Kong which is wholly-owned by RKE;
"KKJM"	means Koperasi Konsumen Karyawan Jalin Margasejahtera, an employee co-operative wholly owned by employees of JM;
"km"	means kilometre;
"Latest Practicable Date"	means 10 November 2022, 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;
"LMJ"	means PT Lintas Marga Jawa, one of the current shareholders of the Target Company;
"Long Stop Date"	means 30 December 2022 or such later date as the Parties may agree in writing;

"Model Code"	means the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules;
"Net Debt Amount"	means the gross debt amount plus the account payable amount plus committed capex amount plus the shareholders' loan amount minus the cash and cash equivalent, of the Target Company;
"Original SPA"	means the conditional sale and purchase agreement entered into between the Parties and dated 27 September 2022;
"Parties"	means the parties to the Original SPA and the Conditional SPA, being Kings Bless and WTR;
"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;
"RDPT SAM"	means Reksa Dana Penyertaan Terbatas SAM Jalan Tol, one of the current shareholders of the Target Company;
"Remaining SMI Shares"	means the 0.23% equity interests in the Target Company held by SMI which are not subject to the Call Options;
"Reporting Period"	means the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022;
"RKE"	means Road King Expressway International Holdings Limited, a company incorporated in Bermuda and an indirect subsidiary owned as to 75% by the Company;
"Sale Shares"	means the 39.77% equity interests in the Target Company sold to Kings Bless by WTR pursuant to the Conditional SPA;
"SB Expressway"	means the Semarang-Batang expressway in Central Java Province, Indonesia, connecting Semarang and Batang;
"SFO"	means 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 transactions contemplated under the Conditional SPA;

"SGM Notice"	means the notice convening the SGM;
"Shares"	means ordinary shares of HK$0.10 each in the share capital of the Company;
"Shareholders"	means holders of the Shares;
"SMI"	means PT Sarana Multi Infrastruktur (Persero), one of the current shareholders of the Target Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to it under the Listing Rules;
"Supplemental Announcement"	means the supplemental announcement of the Company dated 26 October 2022;
"Syndicated Creditors"	means the banks which are parties to the Facility Agreement;
"Target Company"	means PT Jasamarga Semarang Batang, a limited liability company incorporated in Indonesia;
"Target Group"	means the Target Company and its subsidiaries;
"Work Plan"	means the work plan and annual budget of the Target Company prepared by the directors of the Target Company after consulting with its board of commissioners and approved by its shareholders at shareholders meeting;
"WTR"	means PT Waskita Toll Road, a limited liability company established in Indonesia; and
"%"	means per cent.

Notes:

1. For the purpose of this circular and for illustrative purpose only, IDR is converted into HK$ at the rate of HK$1: IDR1,930 (the same exchange rate was applied in the Announcement and the Supplemental Announcement), except for the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix II where IDR is converted into HK$ at the rate of HK$1:IDR1,844.28 which is the prevailing rate as at 30 June 2022. No representation is made that any amounts in IDR and/or HK$ 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.

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)*

Non-executive Directors:
Cai Xun
Xu Enli

Independent Non-executive Directors:
Lau Sai Yung
Tse Chee On, Raymond
Wong Wai Ho
Hui Grace Suk Han

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Suite 501, 5th Floor,
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

14 November 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 39.77% EQUITY INTERESTS
IN AN INDONESIAN COMPANY
WHICH OPERATES THE SB EXPRESSWAY

We refer to the Announcement and the Supplemental Announcement. On 27 September 2022, Kings Bless (an indirect subsidiary owned as to 75% by the Company) entered into the Original SPA with WTR pursuant to which Kings Bless agreed to purchase approximately 39.77% equity interests in the Target Company from WTR for a consideration of about IDR3,823.4 billion (approximately HK$1,981.0 million). The Acquisition constitutes a major transaction for the Company under the Listing Rules.

On 26 October 2022, the Parties entered into the Conditional SPA by which the Original SPA was amended and restated. As disclosed in the Supplemental Announcement, all material terms of the Conditional SPA are identical to the Original SPA except for provisions that provide for the payment mechanics of WTR's payment for exercise of the Call Options and acquisition of the Remaining SMI Shares, the agreement between the Parties on which was a condition precedent to the Completion as disclosed in paragraph (a) under "Details of the Acquisition – Conditions precedent" of the Announcement.

The purpose of this circular are to (i) provide you with information on the Acquisition; (ii) provide you with further information to enable you to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the SGM relating to the Conditional SPA and the transactions contemplated thereunder; (iii) provide you with other information as required under the Listing Rules; and (iv) serve the SGM Notice.

BACKGROUND

The Target Company is a limited company established in the DKI Jakarta Province of Indonesia on 21 April 2016 and is principally engaged in operation of the SB Expressway in Central Java Province, Indonesia with a total length of 75 km. It currently holds the concession rights of the SB Expressway, which has been operated since December 2018 and is part of the Trans Java Expressways, a tolled expressway network running from Merak at the north western end of Java, to Banyuwangi at the eastern end of Java. The SB Expressway forms an important part of the Trans Java Expressways serving Semarang (the capital city of Central Java), Jenderal Ahmad Yani Airport, Port of Tanjung Emas and other industrial areas and cities in Central Java. The total concession period of the SB Expressway is 50 years up to July 2066.

As at the Latest Practicable Date, the Target Company is owned by JTT, SMI, RDPT SAM and LMJ as to approximately 44.18%, 20.00%, 19.77% and 16.05% respectively. WTR entered into two option agreements with SMI and RDPT SAM respectively pursuant to which SMI and RDPT SAM granted in favour of WTR two Call Options over approximately 19.77% and 19.77% equity interests in the Target Company held by SMI and RDPT SAM respectively.

WTR is to exercise the Call Options and acquire the Remaining SMI Shares to become the owner of approximately 39.77% equity interests in the Target Company and sell the same to Kings Bless under the Conditional SPA.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and 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, and development, operation and management of toll roads through the infrastructure joint ventures in the PRC and Indonesia.

The Group is committed to maintaining and further optimizing its established toll road business by seeking strategic opportunities to invest in expressway projects and to focus on existing revenue-generating expressway projects to optimize returns, with priority given to invest in toll road projects that are already operating and collecting tolls. The Acquisition is a great opportunity for the Group to expand its expressway portfolio in Indonesia. As at 30 June 2022, the current toll road portfolio of the Group consists of eight expressways, of which five are in the PRC and three are in Indonesia, spanning approximately 600 km in total.

The Acquisition will enable the Group to expand its portfolio of expressway projects in Indonesia. As the SB Expressway is already operating and collecting tolls, following the Completion, the Group will be entitled immediately to share of revenue from the SB Expressway through the Target Company.

The Directors are of the view that the transactions contemplated under the Conditional SPA and their terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

DETAILS OF THE ACQUISITION

The principal terms of the Conditional SPA are as follows:

Date	:	26 October 2022
Parties	:	Kings Bless, being the purchaser of the Sale Shares.
		WTR, being the vendor of the Sale Shares.
		Please refer to the section below titled "INFORMATION ON WTR, SMI, RDPT SAM, LMJ, JTT and JM" below for information on WTR.

Consideration : About IDR3,823.4 billion (approximately HK$1,981.0 million) is payable to WTR as follows:

(a) IDR3,629.5 billion (approximately HK$1,880.6 million), being the price payable by WTR for exercise of the Call Options and acquisition of the Remaining SMI Shares, payable by Kings Bless to WTR 5 business days after satisfaction or waiver of all conditions precedent (except the conditions precedent (a), (b) and (i) as described below which are to be satisfied or waived by Completion) (the "**First Payment**") against the delivery of a share pledge over the Sale Shares by WTR in favour of Kings Bless to secure WTR's obligation to refund the First Payment if Completion does not take place on or before the Long Stop Date; and

(b) IDR193.9 billion (approximately HK$100.4 million) payable by Kings Bless to WTR on Completion.

The consideration is subject to adjustment when the completion accounts are available after Completion. If the Completion Date Net Debt Amount (shown in the completion accounts) exceeds the Estimated Net Debt Amount by more than 2%, WTR shall compensate Kings Bless for the difference between the two amounts, to be settled by cash payment. If the Completion Date Net Debt Amount is less than the Estimated Net Debt Amount, no payment obligation arises.

Basis for determing the consideration

The consideration payable by Kings Bless, as determined after on arm's length negotiations between the Parties, is approximately 1.5% lower than the fair value of the Sale Shares (i.e. IDR3,880 billion (approximately HK$2,010.4 million)) as at 31 August 2022 as shown in the valuation report in Appendix VI.

The Company took into account (i) the development of the traffic network in Indonesia and an indicative independent traffic study report prepared by WB Group International Limited for the SB Expressway based on which the Group can assess potential toll road income during the remainder of the concession period; (ii) the net asset value of the Target Company; and (iii) the consideration payable by WTR to RDPT SAM and SMI pursuant to the exercise of the Call Options (i.e. the amount of the First Payment as disclosed above).

The Group will fund the consideration by internal resources and if needed, bank loans.

Conditions precedent

Completion is subject to and dependent upon the fulfilment of a number of conditions precedent summarised as follows:

(a) WTR having completed the exercise of the Call Options and acquisition of the Remaining SMI Shares and provided Kings Bless with a copy of deed of change of shareholders of the Target Company;

(b) WTR having provided Kings Bless with a copy of the approvals from (i) the board of commissioners and/or the shareholders of WTR in relation to the Acquisition; (ii) shareholders of the Target Company in relation to the Acquisition and the exercise of the Call Options; and (iii) JTT and LMJ to release their right of first refusal over the Sale Shares;

(c) WTR having provided Kings Bless with a copy of (i) the approval of the Acquisition from the creditors of its subsidiaries in favour of which WTR has given corporate guarantees; and (ii) confirmation from the Syndicated Creditors that the Target Company has never breached (or been in default under) the Facility Agreement;

(d) WTR or PT Waskita Karya (Persero) Tbk (the largest shareholder of WTR) having obtained the results of a review from the Finance and Development Supervisory Agency regarding the Acquisition from the aspects of good governance, risk management and compliance;

(e) Kings Bless having completed due diligence including on-site technical, legal and financial due diligence against the SB Expressway, to its satisfaction;

(f) Kings Bless having provided WTR with copies of (i) approvals required to carry out the Acquisition as applicable to Kings Bless, including but not limited to the approvals from its shareholders, board of directors and/or government agencies; and (ii) statement that Kings Bless will re-approve the credit facilities obtained by the Target Company in its capacity as new shareholder of the Target Company;

(g) WTR having received a copy of an amendment to the Deed of Shareholders Agreement reflecting the change of shareholders of the Target Company and consequential changes signed by Kings Bless, JTT and LMJ that takes effect on the Completion Date;

(h) the Company having obtained Shareholders' approval in relation to the Acquisition pursuant to the Listing Rules; and

(i) all representations and warranties of Kings Bless and WTR as stated in the Conditional SPA being true, correct and accurate in all material aspects and no material adverse event having occurred.

Kings Bless may waive the fulfillment of conditions (b) and (c) and the condition that the representations and warranties of WTR being true, correct and accurate in all material aspects, and WTR may waive the fulfillment of condition (f) and the condition that the representations and warranties of Kings Bless being true, correct and accurate in all material aspects. As at the Latest Practicable Date, none of the conditions precedent have been waived or fulfilled.

If: (i) the Parties fail to sign a minutes of fulfilment of the conditions precedent (other than the conditions precedent already waived by either Party) within 2 business days as of the Condition Satisfaction Date; and (ii) the conditions precedent are not fulfilled or not waived by either Party by the Long Stop Date, any Party may by notice to the other Party, at its sole discretion, terminate the Conditional SPA, in which case, such Party shall not make any claim against the other Party.

Completion will take place within 5 business days after the satisfaction (or waiver) of the last condition precedent (other than the conditions precedent stated in sub-paragraph (i) above), or such other date as the Parties may agree. The Parties agreed to negotiate in good faith and agree any sharing of additional cost arising from an extended Completion. The Company expects that the additional costs (if any) will not change the classification of the Acquisition as a major transaction under Chapter 14 of the Listing Rules.

Kings Bless has agreed that upon Completion it will not transfer the Sale Shares to any other person for a period of 12 months following Completion (other than transferring the Sale Shares in accordance with terms of finance documents entered into by Kings Bless and/or its shareholders for the purpose of financing the Acquisition), provided that JTT retains its majority shareholding in the Target Company.

Amended and Restated Shareholders Agreement

Upon Completion, the Target Company will be owned by JTT, Kings Bless and LMJ as to 44.18%, 39.77% and 16.05%. To satisfy one of the conditions precedent to Completion, JTT, Kings Bless and LMJ will enter into the Amended and Restated Shareholders Agreement to regulate the relationship between themselves as shareholders of the Target Company with effect from the Completion Date. Key terms of an agreed form of the Amended and Restated Shareholders Agreement are summarised below:

(a) Composition of the management

The board of directors and board of commissioners of the Target Company will each consist of a maximum of three members.

JTT is entitled to nominate one president commissioner and one president director who will be responsible for the overall management of the Target Company, and to appoint the general manager of technical and operation.

Kings Bless is entitled to nominate one commissioner and one director who will be responsible for technical and operational matters and implementation of anti-money laundering compliance program including internal audit of the Target Company, and to appoint the general manager of finance and administration.

LMJ is entitled to nominate one commissioner and one director who will be responsible for finance and administrative matters of the Target Company.

Decisions of the board of directors or the board of commissioners at board meetings require approval of more than half of its members and the approval of each of the directors or commissioners nominated by JTT and LMJ. However approval by more than 2/3 of members of the board of commissioners is required before the board of directors proceeds with the following matters unless such matter is already approved in the Work Plan: (i) approval for or amendment to the draft Work Plan; (ii) purchase, sale or transfer of assets; (iii) write-off of debts; (iv) to receive or give loans; (v) to pledge assets; (vi) to enter into, amend or terminate agreements; and (vii) to commence legal action in relation to or settle, disputes. Any activity in (ii) to (vii) above involving a value exceeding IDR250 billion requires shareholders' approval as described below.

(b) Shareholders' approval

Unless otherwise specified, decisions at a shareholders' meeting require approval of shareholders representing at least 51% of the shares in issue and the approval of each of JTT and LMJ. Amendment of the Target Company's articles of association requires approval of shareholders representing at least 2/3 of the shares in issue and approval of each of JTT and LMJ. Merger, consolidation, acquisition, spin off, dissolution, liquidation or granting of security which constitutes more than 50% of the Target Company's net assets require approval of shareholders representing at least 3/4 of the shares in issue and approval of each of JTT and LMJ.

The board of directors of the Target Company shall not conduct the following matters unless such matter is approved by its shareholders representing at least 51% of the shares in issue at a shareholders meeting and by each of JTT and LMJ: (i) issuance of new shares or capital increase to finance highway concession; (ii) purchase, sale or transfer of material assets except toll road concession assets; (iii) approval of annual report and financial statement; (iv) write-off of material debts; (v) appointment or dismissal of directors and commissioners (provided that shareholders are obliged to vote in favour of appointments made by any shareholder pursuant to its nomination right under the Amended and Restated Shareholders Agreement); (vi) to receive or give material loans to finance highway concession; (vii) to pledge material assets to finance highway concession; (viii) to enter into agreements with affiliates of JM; (ix) to refinance loans to finance highway concession; (x) to enter into, amend or terminate material agreements; and (xi) to commence legal action in relation to or settle, major disputes. Notwithstanding the foregoing, the board of directors may conduct matters (ii), (iv), (vi), (vii), (x) and (xi) above if such matter has been approved in the Work Plan.

The board of directors of the Target Company shall not conduct the following matters unless such matter is approved by its shareholders representing at least 66.67% of the shares in issue at a shareholders meeting and by each of JTT and LMJ: (i) issuance of new shares other than to finance highway concession; (ii) to receive or give material loans in addition to finance highway concession; (iii) to pledge material assets other than to finance highway concession; (iv) to refinance loans in addition to finance highway concession; (v) public offering of shares; (vi) material deviation from the annual budget; (vii) establishment of subsidiary or investment in another company; (viii) dividend distributions; (ix) to determine and approve the Work Plan (except when a deadlock arises and subject to certain requirements, the Work Plan is subject to approval by shareholders representing at least 51% of the shares in issue at a shareholders meeting and by each of JTT and LMJ); (x) to amend, terminate or renew concession agreement of the SB Expressway; and (xi) to amend the compliance program. Notwithstanding the foregoing, the board of directors are allowed to conduct matters (ii) and (iii) above if such matter has been approved in the Work Plan.

(c) Issue of new shares

Any new issue of shares by the Target Company should be subject to customary pre-emption rights of its shareholders.

(d) Transfer of shares

Transfer of shares to affiliates of a shareholder is subject to approval by shareholders representing more than 50% of the shares in issue at a shareholders' meeting and customary right of first refusal of the non-transferring shareholders.

Transfer of shares to a third party is subject to approval by shareholders representing at least 66.67% of the shares in issue at a shareholders' meeting and approval by each of JTT and LMJ and customary right of first refusal of the non-transferring shareholders.

In the event that LMJ intends to sell part or all of its shares in the Target Company, JTT or its affiliate has the right to purchase such shares at a price to be agreed between LMJ and JTT and the above restrictions on transfer of shares do not apply, provided that such transfer is approved by more than 50% of shareholders attending at a shareholders meeting which is attended by shareholders representing more than 50% of the shares in issue. If JTT or its affiliate does not purchase such shares or purchases part of such shares, the above restrictions on transfer of shares apply to the shares not purchased by JTT or its affiliate.

In the event that (i) all shares in the Target Company owned by LMJ have been transferred to JTT or its affiliates; (ii) LMJ is liquidated; or (iii) LMJ is controlled by JTT, the rights of LMJ under the Amended and Restated Shareholders Agreement (including the right to nominate director and cast vote) will be assigned from LMJ to JTT.

The Amended and Restated Shareholders Agreement does not restrict or reduce rights that the Group would normally enjoy as a 39.77% shareholder of a joint venture, but instead creates safeguards for Kings Bless through (i) its right to nominate a director responsible for operational and anti-money laundering compliance functions and manager responsible for financial functions, and (ii) its ability to veto activities that would allow the Target Company to change the terms of highway concession or engage in financing activities in addition to the operation of the expressway. The Board is therefore of the view that the terms of the Amended and Restated Shareholders Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL INFORMATION ON TARGET COMPANY

Set out below is a summary of the financial information of the Target Company for the two financial years ended 31 December 2021 and the six months ended 30 June 2022 prepared in accordance with HKFRS:

	For the year ended 31 December 2020 *(IDR'million)* (audited)	**For the year ended 31 December 2021** *(IDR'million)* (audited)	**For the six months ended 30 June 2022** *(IDR'million)* (audited)
Net profit/(loss) before taxation	117,039 (approximately HK$60.6 million)	(33,114) (approximately HK$(17.2) million)	45,558 (approximately HK$23.6 million)
Net profit/(loss) after taxation	47,570 (approximately HK$24.6 million)	(179,652) (approximately HK$(93.1) million)	(3,981) (approximately HK$(2.1) million)

The audited net asset value of the Target Company as at 30 June 2022 under HKFRS was approximately IDR3,592,556 million (approximately HK$1,861.4 million). Please refer to the accountants' report on the Target Company as set out in Appendix III of this circular for more financial information of the Target Company.

Upon Completion, the Target Company will be taken up by way of equity accounting in the consolidated financial statements of the Company and will not be a subsidiary of the Company.

FINANCIAL EFFECTS OF THE ACQUISITION

The Board has considered the "Unaudited Pro Forma Financial Information of the Enlarged Group" set out in Appendix II to this circular and noted the following financial effects of the Acquisition (assuming Completion had occurred on 30 June 2022) on the Enlarged Group as compared to the financial position of the Group as at 30 June 2022:

	The Group	**The Enlarged Group**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Total assets	102,254,781	102,270,330
Total liabilities	(67,370,483)	(67,386,032)
Net assets	34,884,298	34,884,298

From the perspective of total assets, total liabilities and net assets, there are no material differences between the Group and the Enlarged Group.

The Board expects that the earnings of the Enlarged Group will remain largely the same as the Group for the year ending 31 December 2022 given that the Completion is expected to take place in November or December 2022 and thus the contribution of the Target Company to the profit or loss statement of the Enlarged Group is limited.

INFORMATION ON WTR, SMI, RDPT SAM, LMJ, JTT AND JM

WTR is owned as to 92.096% by PT Waskita Karya (Persero) Tbk. (which was established in Indonesia on 1 January 1961 and has been listed on the Indonesia Stock Exchange (index: WSKT) since 19 December 2012) and 7.904% by PT Taspen. PT Waskita Karya (Persero) Tbk. is principally engaged in civil works, engineering, procurement and construction, and mining in Indonesia and is in turn owned as to approximately 75.35% by the Government of Indonesia and approximately 24.65% by public shareholders, respectively.

SMI is a state-owned enterprise which is fully owned by the Government of Indonesia and provides infrastructure development financing in Indonesia.

RDPT SAM is a mutual fund in the form of limited participation, registered and regulated under the Indonesia's Financial Services Authority Regulation (POJK) number 37/POJK.04/2014 concerning mutual funds in the form of limited participation collective investment contract and is ultimately owned by an Indonesia state-owned pension fund.

LMJ is a limited investment mutual fund managed by PT Bank Mandiri (Persero) Tbk group which is a listed and state-owned company in Indonesia. It is also a joint venture partner of the Group holding 17.4% and 15.0% in JSN and JNKK respectively which are two of the three other Indonesian expressway joint ventures invested by the Group.

JTT is a company incorporated in Indonesia and is owned as to over 99.19% by JM and less than 0.81% by KKJM which is an employee co-operative wholly owned by employees of JM. JTT is principally engaged in the toll road industry in Indonesia. It is also a joint venture partner of the Group holding 42.6% and 45% in JSN and JNKK respectively which are two of the three other Indonesian expressway joint ventures invested by the Group.

JM was established in Indonesia on 1 March 1978 and has been listed on the Indonesia Stock Exchange (index: JSMR) since 12 November 2007. It is also a joint venture partner of the Group holding 55% in JMKT which is one of the three Indonesian expressway joint ventures invested by the Group. JM is principally engaged in the toll road industry in Indonesia and is owned as to 70% by the Government of Indonesia and 30% by public shareholders, respectively.

To the best of the Directors' knowledge, information and beliefs, and having made all reasonable enquiries, WTR, SMI, RDPT SAM, LMJ, JTT, JM and their ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios in relation to the Acquisition calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the purposes of considering and, if thought fit, approving the transactions contemplated under the Conditional SPA.

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

SGM

The SGM Notice is set out on pages SGM-1 and 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 the SGM, 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 SGM or any adjourned meeting if you so wish.

The Company encourages the Shareholders to exercise their right to vote by appointing the Chairman of the SGM as proxy instead of attending the SGM in person.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules and Bye-law 66 of the 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 of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that terms of the Acquisition are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution 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

Please refer to the annual reports of the Company for the years ended 31 December 2019 (pages F-7 to F-127), 2020 (pages F-8 to F-151) and 2021 (pages F-7 to F-139) published by the Company on 15 April 2020, 13 April 2021 and 11 April 2022 respectively, which contained the consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021.

Please also refer to the interim report of the Company for the six months ended 30 June 2022 (pages F-2 to F-36) published by the Company on 8 September 2022 which contained the condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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

Annual Report 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500947.pdf

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

Interim Report 2022:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0908/2022090800623.pdf

2. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Business Segments

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

Toll road business

In the first half of 2022, the Group's average daily traffic volume and toll revenue of the expressway projects reached 275,100 vehicles and RMB1,820 million, representing a decrease of 17% and 4% respectively, as compared with the corresponding period of last year. In addition to adverse weather conditions in northern PRC, several major cities imposed strict lockdown due to the repercussions of the pandemic in PRC, resulting in a sharper fall in the number of passenger vehicles, with the average daily traffic volume dropping by 25% compared to the corresponding period of last year. As the central government had put in place policies to ensure the smoothness of freight and logistics and resumption of work and production, therefore the pandemic control had less impact on trucks.

In the first half of 2022, the toll revenue from the Group's expressways in PRC declined by 16% to RMB1,376 million as compared with the corresponding period of last year, representing a smaller drop than that of traffic volume. With better control of the pandemic in PRC and a series of governmental stimulus packages, it is expected that the domestic economy will return to a stable upward momentum, and the toll revenue and traffic volume of the Group's expressways in PRC will both increase in the second half of the year.

In the first half of the year, the pandemic in Indonesia became stable and traffic volume increased significantly from April during Ramadan and the Easter holidays onwards. During Eid al-Fitr in May, the local government relaxed the strict traffic restrictions imposed last year, resulting in a 104% year-on-year increase in monthly toll revenue and 96% year-on-year increase in the average daily traffic volume in May. It is expected that the current trend of economic development and pandemic control will maintain the same in the second half of the year, and the toll revenue and traffic volume of the Group's expressways in Indonesia will continue to increase steadily.

In the first half of 2022, in addition to the year-on-year increase of 69% in the toll revenue from the Group's expressways in Indonesia, the Group also implemented cost-saving measures on expressways in PRC to offset the impact of toll revenue reduction from certain expressways in PRC, which enabled the Group's share of profits of infrastructure joint ventures in the first half of the year to reach HK$350 million, representing an increase of HK$4 million as compared with the corresponding period of last year. In the first half of 2022, toll road segment profit (net of head office expenses and taxation) reached HK$309 million, which represented an increase of HK$5 million as compared with the corresponding period of last year. During the corresponding period, the Group received a cash distribution from its expressway joint ventures of HK$488 million, which has resumed to the pre-pandemic level.

Property development business

During the first half of 2022, the ongoing collapse of vulnerable real estate enterprises continued to take a toll on the confidence in the property market in PRC. Together with the repeated pandemic in multiple cities and the associated lockdowns and pandemic control measures, the property market experienced additional pressure and faced severe challenges. The market remained sluggish in the first half of the year, with a significant drop in sales volume and a year-on-year decline in property development investment. As a pillar industry in PRC, the stability of the real estate sector plays a significant role in the stable social and economic development. Therefore, in the first half of this year, the central government and the authorities were on the move to send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase and utilisation of provident funds. The policy environment in the industry entered an easing cycle, however, the confidence of property buyers in the economy and the property market is unlikely to be fully restored in the near future.

Investment and asset management business

In the first half of 2022, the property development projects of this segment (including joint venture and associate projects) achieved property sales of approximately RMB447 million, comprising the contracted sales of RMB212 million and outstanding subscribed sales of approximately RMB235 million. As of 30 June 2022, the land reserve of this segment was approximately 1,090,000 sqm, which was mainly located in Henan Province, and the total area of properties pre-sold but yet to be delivered was 50,000 sqm.

Liquidity and Financial Resources

As at 30 June 2022, the equity attributable to owners of the Company was HK$21,758 million (31 December 2021: HK$22,337 million). Net assets per share attributable to owners of the Company was HK$29.04 (31 December 2021: HK$29.81).

As at 30 June 2022, the Group's total assets were HK$102,255 million (31 December 2021: HK$108,236 million) and bank balances and cash were HK$10,370 million (31 December 2021: HK$12,600 million), of which 87% was denominated in Renminbi and the remaining 13% was mainly denominated in US dollars or HK dollars.

During the first half of 2022, the Group drew down various offshore bank loans and project development loans in Hong Kong and PRC in an aggregate amount equivalent to HK$1,976 million. The drawdown of new loans was offset by the repayment of certain bank loans.

As confidence in the market continued to be rattled by the ongoing collapse of vulnerable real estate enterprises, coupled with lockdowns and pandemic control measures, debt and equity investors and customers became increasingly cautious in investing in real estate, which created a negative impact on the overall capital flows of the industry. On one hand, the Group stepped up its efforts to manage project cash flows and ensure property delivery. On the other hand, it will materialize real estate projects with longer fund recovery period when opportunities arise.

The Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. The Group will continue to maintain healthy treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

Bank and Other Borrowings and Non-current Liabilities

Bank and other borrowings and non-current liabilities mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the Group.

Details of the Group's loan profile are set out as follows:

	30 June 2022	**31 December 2021**
	HK$'million	*HK$'million*
Repayable:		
On demand	1,151	721
Within one year	11,601	7,203
After one year but within two years	3,231	8,494
After two years but within five years	20,048	21,004
More than five years	828	904
Total loans	36,859	38,326

Source of Loans

	30 June 2022	**31 December 2021**
Short term loans	35%	21%
Long term loans	65%	79%
Total	100%	100%

Nature of Debts

	30 June 2022	31 December 2021
Unsecured loans	77%	74%
Secured loans	23%	26%
Total	100%	100%

Currency Profile of Loans

	30 June 2022	31 December 2021
HKD	8%	8%
RMB	29%	32%
USD	63%	60%
Total	100%	100%

Type of Loans

	30 June 2022	31 December 2021
Guaranteed senior notes*	55%	53%
Other offshore loans	16%	15%
	71%	68%
Domestic bonds	3%	3%
Other onshore loans	26%	29%
	29%	32%
Total	100%	100%

* *Excluding perpetual capital securities (Classified as equity)*

Interest Rates Basis

	30 June 2022	31 December 2021
Floating rate	40%	41%
Fixed rate	60%	59%
Total	100%	100%

Certain of the Group's loans were on a fixed rate basis, which included, among the others, the following notes: (a) US$2,576 million of guaranteed senior notes with annual rates ranging from 5.125% to 7.875% (the Group redeemed US$22 million of notes after the reporting period); and (b) RMB869 million 6.5% domestic bonds.

Apart from the above loans, the Group also issued the following three senior guaranteed perpetual capital securities: (a) US$600 million senior guaranteed perpetual capital securities with distribution rates of 7% and 7.95%; and (b) US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 30 June 2022, the net gearing ratio and the net capitalisation ratio of the Group were 76% and 43% respectively. Net gearing ratio represents the difference between the 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. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

Please refer to the Management Discussion and Analysis section of the Company's interim report for the six months ended 30 June 2022 for more information on the Group.

3. INDEBTEDNESS OF THE GROUP

At the close of business on 30 September 2022, 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$41,726,995,000 and details of which are as follows:

	HK$'000
Bank borrowings	
– Secured and guaranteed	2,458,979
– Secured and unguaranteed	4,343,819
– Unsecured and guaranteed	6,145,746
– Unsecured and unguaranteed	391,412
Senior notes	
– Unsecured and guaranteed	19,351,492
Other loans	
– Secured and guaranteed	521,566
– Secured and unguaranteed	260,636
Amounts due to joint ventures and associates	
– Unsecured and unguaranteed	6,771,323
Amounts due to other non-controlling interests of subsidiaries	
– Unsecured and unguaranteed	1,482,022
Total	41,726,995

Mortgage and Charges

As at 30 September 2022, the Group's bank borrowings and other loans of approximately HK$7,585,000,000 in total were secured by certain inventories of properties and certain investment properties of the Group.

Lease liabilities

As at 30 September 2022, the Group had lease liabilities of approximately HK$52,309,000 related to the lease of office premises mainly in the PRC and Hong Kong and they were unguaranteed and secured by rental deposits of the Group.

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

As at 30 September 2022, participation rights designated at FVTPL of approximately HK$213,552,000 related to financial obligations arising from rights granted to a subsidiary of a major shareholder of the Company were unsecured and unguaranteed.

Financial guarantee contracts

As at 30 September 2022, the Group had the following financial guarantee contracts:

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

As at 30 September 2022, 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$7,302,233,000.

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

As at 30 September 2022, the total outstanding guarantee provided by the Group to banks for the banking facilities granted to joint ventures was approximately HK$4,212,161,000.

Except as disclosed above and apart from intra-group liabilities, the Group did not have, as at 30 September 2022, 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 Acquisition and, in absence of unforeseen circumstances, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

5. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation

In connection with the major acquisition of 39.77% equity interests in the Target Company, which operates the SB Expressway in Central Java Province, Indonesia, by Kings Bless, an indirect subsidiary which is owned as to 75% by the Company, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2022 as if the Acquisition had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information is prepared based on information on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the published interim report of the Company for the six months ended 30 June 2022, and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2022, nor to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2022, the accountants' report of the Target Company as set out in Appendix III to this circular, and other financial information included elsewhere in this circular.

(II) Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information as at 30 June 2022 is presented in HK$ and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

	The Group as of 30 June 2022	Unaudited pro forma adjustments		Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i)	*Note (ii)*	*Note (iii)*	
	(Unaudited)			(Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	92,311	–	–	92,311
Right-of-use assets	52,985	–	–	52,985
Investment properties	4,322,934	–	–	4,322,934
Interests in associates	1,606,103	–	–	1,606,103
Interests in joint ventures	18,771,713	2,073,113	15,549	20,860,375
Deferred tax assets	278,842	–	–	278,842
Amounts due from joint ventures	7,254,870	–	–	7,254,870
Amounts due from other non-controlling interests of subsidiaries	1,002,080	–	–	1,002,080
Loan receivables	2,248,700	–	–	2,248,700
Financial assets at fair value through profit or loss ("FVTPL")	876,757	–	–	876,757
Total non-current assets	36,507,295	2,073,113	15,549	38,595,957
Current assets				
Inventory of properties	44,030,526	–	–	44,030,526
Amounts due from joint ventures and associates	5,298,261	–	–	5,298,261
Amounts due from other non-controlling interests of subsidiaries	1,370,845	–	–	1,370,845
Loan receivables	447,544	–	–	447,544
Debtors, deposits and prepayments	2,576,886	–	–	2,576,886
Prepaid income tax	1,530,855	–	–	1,530,855
Pledged bank deposits	122,186	–	–	122,186
Bank balances and cash	10,370,383	(2,073,113)	–	8,297,270
Total current assets	65,747,486	(2,073,113)	–	63,674,373
Total assets	102,254,781	–	15,549	102,270,330

	The Group as of 30 June 2022	Unaudited pro forma adjustments		Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i)	*Note (ii)*	*Note (iii)*	
	(Unaudited)			(Unaudited)
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	24,107,029	–	–	24,107,029
Amounts due to joint ventures	1,026,272	–	–	1,026,272
Deferred tax liabilities	1,401,671	–	–	1,401,671
Financial liabilities at FVTPL	249,842	–	–	249,842
Lease liabilities	38,917	–	–	38,917
Total non-current liabilities	26,823,731	–	–	26,823,731
Current liabilities				
Creditors and accrued charges	7,942,625	–	15,549	7,958,174
Amounts due to joint ventures and associates	4,693,079	–	–	4,693,079
Amounts due to other non-controlling interests of subsidiaries	1,516,333	–	–	1,516,333
Contract liabilities	8,370,847	–	–	8,370,847
Lease liabilities	18,496	–	–	18,496
Income tax payable	5,148,547	–	–	5,148,547
Bank and other borrowings	12,751,635	–	–	12,751,635
Financial liabilities at FVTPL	105,190	–	–	105,190
Total current liabilities	40,546,752	–	15,549	40,562,301
Total liabilities	67,370,483	–	15,549	67,386,032
Net assets	34,884,298	–	–	34,884,298

(III) Notes to the Unaudited Pro Forma Financial Information

i. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the published interim report of the Company for the six months ended 30 June 2022.

ii. According to the conditional sale and purchase agreement entered into by the Group on 27 September 2022 and subsequently amended on 26 October 2022, the consideration for the Acquisition is IDR3,823 billion (equivalent to HK$2,073,113,000) (the "Consideration").

Upon completion of the Acquisition, the Target Company will be owned as to 44.18%, 39.77% and 16.05% by PT Jasamarga Transjawa Tollroad ("JTT"), Kings Bless and PT Lintas Marga Jawa ("LMJ") respectively. Even though JTT has the highest percentage of shareholdings among all investors, it does not control the Target Company because it needs the agreement of Kings Bless to reach at least 2/3 (or 66.67%) of the total issued shares of the Target Company and it also needs the agreement of LMJ for any decision about the relevant activities to be made. It implies that JTT, Kings Bless and LMJ have joint control over the Target Company. Accordingly, the Group's investment in the Target Company is regarded as interest in a joint venture and will be accounted for using the equity method of accounting in accordance with Hong Kong Accounting Standard 28 Investments in Associates and Joint Ventures in the consolidated financial statements of the Group.

The details on the Group's cost of investment in the Target Company at the date of Acquisition are illustrated below:

	IDR'billion	*HK$'000* *(Note vii)*
Carrying amount of identifiable assets and liabilities of the Target Company as at 30 June 2022 extracted from the accountants' report of the Target Company set out in the Appendix III to this circular	3,593	1,948,273
Carrying amount of identifiable assets and liabilities of the Target Company attributable to the 39.77% equity interests of the Target Company as at 30 June 2022	1,429	774,828
Add: Fair value adjustment – Intangible assets*	2,451	1,328,974
Add: Deferred tax liabilities^	(539)	(292,374)
Fair value of net identifiable assets and liabilities of the Target Company	3,341	1,811,428
39.77% of equity interests of the Target Company acquired	3,341	1,811,428
Goodwill	482	261,685
Interest in a joint venture	3,823	2,073,113
Consideration transferred	3,823	2,073,113

* *The fair value adjustment represents the difference between fair value of 39.77% equity interests of the Target Company and the carrying value of identifiable assets and liabilities of the Target Company as at 30 June 2022 upon purchase price allocation as if the Acquisition had been taken place at 30 June 2022. The Directors consider that intangible assets (i.e concession rights for toll road) are the primary identifiable assets to be acquired in this transaction. Other fair value adjustment on identifiable assets and/or liabilities, if any, to be acquired or assumed are not considered significant.*

The fair value of 39.77% equity interests value of the Target Company as at 30 June 2022 adopted is based on the fair value of IDR3,880 billion as at 31 August 2022 as extracted from a valuation report set out in Appendix VI to this circular. In the opinion of the Directors, there is no material difference of the fair value as of these two valuation dates.

^ *Deferred tax liabilities are computed at 22%, which is the prevailing corporate tax rate at Republic of Indonesia, on the fair value adjustment of intangible assets of the Target Company as if the Acquisition had been taken place as at 30 June 2022.*

Since the fair value and the carrying amount of the identifiable assets and liabilities of the Target Company at the actual completion date may be different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the amount of goodwill to be recorded in the interest in a joint venture in the consolidated financial statements of the Enlarged Group at the actual completion date may be different from the estimated amount presented above.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, no impairment on the Target Company is identified by the Directors upon completion of the Acquisition as there is no indication of impairment under Hong Kong Accounting Standard 36 *Impairment of Assets* ("HKAS 36"). In preparation of the consolidated financial statements of the Group in subsequent reporting periods, the Group will undertake an impairment review in accordance with the requirements of HKAS 36 when there is any indication that the Target Company may be impaired.

iii. The adjustment represents the estimated transaction costs of HK$15,549,000 that are directly attributable to the Acquisition and are capitalised as part of the investment cost in the Target Company.

iv. The above adjustments have not taken into account of US$180 million loan facility agreement entered into between the Group and a bank in connection with the Acquisition in September 2022.

v. The consideration is subject to adjustment when the completion accounts of the Target Company are available after completion of the Acquisition. If the net debt amount, which is defined as the gross debt amount plus the account payable amount plus committed capex amount plus the shareholders' loan amount minus the cash and cash equivalent, shown in the completion accounts exceeds the net debt amount estimated at the completion of the Acquisition by more than 2%, PT Waskita Toll Road, being the seller of the Acquisition, shall compensate Kings Bless for the difference between the two amounts, to be settled by cash payment. For the purpose of preparation of the Unaudited Pro Forma Financial Information, no subsequent adjustment for the consideration is assumed.

vi. Apart from the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

vii. The IDR denominated amounts are converted from IDR to HK$ at an exchange rate of HK$1 to IDR1,844.28 which is the prevailing rate as at 30 June 2022 from a public source. No representation is made that IDR amounts have been, could have been or could be converted to HK$, or vice versa, at that rate or at all.

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

The following 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 assets and liabilities as at 30 June 2022 and related notes as set out on pages II-1 to II-6 of the circular issued by the Company dated 14 November 2022 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition (as defined in the Circular) on the Group's financial position as at 30 June 2022 as if the Acquisition had taken place as at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2022, 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 Control

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 Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented 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 2022 would have been as presented.

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,
14 November 2022

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

Introduction

We report on the historical financial information of PT Jasamarga Semarang Batang (the "Target Company") set out on pages III-4 to III-72, which comprises the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (the "Relevant Periods"), the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-4 to III-72 forms an integral part of this report, which has been prepared for inclusion in the circular of Road King Infrastructure Limited (the "Company") dated 14 November 2022 (the "Circular") in connection with the acquisition of approximately 39.77% equity interests in the Target Company by Kings Bless Limited, an indirect subsidiary owned as to 75% by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements of the Target Company for the Relevant Periods as defined on page III-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company (the "Target Company Directors"). The Target Company Directors are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board, and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
14 November 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Purwantono, Sungkoro & Surja, a global network member firm of Ernst & Young, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Indonesian Rupiahs ("IDR") and all values are rounded to the nearest million (IDR'million) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
					(Unaudited)	
REVENUE	*4*	946,091	1,310,943	1,109,787	623,110	517,435
Cost of revenue		(526,111)	(326,952)	(442,980)	(262,686)	(163,157)
Bank interest income		3,343	737	714	217	973
Administrative expenses		(21,995)	(17,832)	(14,374)	(7,234)	(7,905)
Other expenses		(2,460)	(802)	(2,151)	(1,104)	(1,412)
Finance costs	*5*	(712,462)	(849,055)	(684,110)	(308,744)	(300,376)
PROFIT/(LOSS) BEFORE TAX	*6*	(313,594)	117,039	(33,114)	43,559	45,558
Income tax expenses	*8*	(132,856)	(69,469)	(146,538)	(89,580)	(49,539)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(446,450)	47,570	(179,652)	(46,021)	(3,981)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(446,450)	47,570	(179,652)	(46,021)	(3,981)
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:					
Loss on measurement of defined benefit plan, net of tax	(1)	(4)	(1)	–	–
	(1)	(4)	(1)	–	–
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:					
Fair value loss on cash flow hedge, net of tax	–	–	–	–	(33,363)
	–	–	–	–	(33,363)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD, NET OF TAX	(1)	(4)	(1)	–	(33,363)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(446,451)	47,566	(179,653)	(46,021)	(37,344)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 IDR'million	2020 IDR'million	2021 IDR'million	As at 30 June 2022 IDR'million
ASSETS					
NON-CURRENT ASSETS					
Plant and equipment	*10*	6,183	4,206	2,542	1,843
Right-of-use assets	*11(a)*	1,077	677	739	991
Intangible assets	*12*	12,440,317	12,305,869	12,258,820	12,153,729
Restricted funds	*14*	32,279	–	–	63,327
Other non-current assets		4,324	1,390	6,217	695
Total non-current assets		12,484,180	12,312,142	12,268,318	12,220,585
CURRENT ASSETS					
Government receivables, prepayments and other receivables	*13*	1,125,440	546,996	275,031	235,744
Restricted funds	*14*	106,975	78,628	76,325	110,875
Cash and bank balances	*15*	25,216	16,057	199,031	164,663
Total current assets		1,257,631	641,681	550,387	511,282
TOTAL ASSETS		13,741,811	12,953,823	12,818,705	12,731,867
EQUITY AND LIABILITIES					
EQUITY					
Share capital	*21*	3,313,664	4,131,564	4,178,664	4,178,664
Other reserves		769,999	(5)	(6)	(33,369)
Accumulated loss		(416,676)	(369,106)	(548,758)	(552,739)
Total equity		3,666,987	3,762,453	3,629,900	3,592,556
NON-CURRENT LIABILITIES					
Other payables and accrued expenses	*16*	15,823	49,516	71,395	51,777
Derivative financial liabilities	*25*	–	–	–	42,772
Bank borrowings	*17*	8,221,610	7,518,062	7,631,790	8,523,613
Lease liabilities	*11(b)*	604	373	333	630
Deferred tax liabilities	*18*	132,856	202,325	348,863	388,992
Shareholder's loans	*19(a)*	251,857	509,943	603,326	–
Total non-current liabilities		8,622,750	8,280,219	8,655,707	9,007,784
CURRENT LIABILITIES					
Trade and other payables and accrued expenses	*16*	198,874	210,030	73,557	86,996
Bank borrowings	*17*	819,714	50,722	35,827	40,527
Lease liabilities	*11(b)*	515	351	450	404
Income tax payables		4,721	312	7,994	3,600
Shareholder's loans	*19(a)*	428,250	649,736	415,270	–
Total current liabilities		1,452,074	911,151	533,098	131,527
TOTAL EQUITY AND LIABILITIES		13,741,811	12,953,823	12,818,705	12,731,867
Net current assets/(liabilities)		(194,443)	(269,470)	17,289	379,755
Total assets less current liabilities		12,289,737	12,042,672	12,285,607	12,600,340

STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Capital paid in advance**	**Other reserves**	**Retained earnings/ (accumulated losses)**	**Total**
	IDR'million	*IDR'million*	*IDR'million* *(Note (a))*	*IDR'million*	*IDR'million*
At 1 January 2019	170,325	2,490,345	652,994	29,774	3,343,438
Loss for the year	–	–	–	(446,450)	(446,450)
Loss on remeasurement of defined benefit plan	–	–	(1)	–	(1)
Total comprehensive loss for the year	–	–	(1)	(446,450)	(446,451)
Issue of shares *(Note 21(a))*	3,143,339	(2,490,345)	(652,994)	–	–
Issue of convertible loans *(Note 19(b))*	–	–	770,000	–	770,000
	3,143,339	(2,490,345)	117,006	–	770,000
At 31 December 2019 and 1 January 2020	3,313,664	–	769,999	(416,676)	3,666,987
Profit for the year	–	–	–	47,570	47,570
Loss on remeasurement of defined benefit plan	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	(4)	47,570	47,566
Issue of shares *(Note 21(c))*	47,900	–	–	–	47,900
Shares converted from convertible loans *(Note 21(b))*	770,000	–	(770,000)	–	–
	817,900	–	(770,000)	–	47,900
At 31 December 2020 and 1 January 2021	4,131,564	–	(5)	(369,106)	3,762,453
Loss for the year	–	–	–	(179,652)	(179,652)
Loss on remeasurement of defined benefit plan	–	–	(1)	–	(1)
Total comprehensive loss for the year	–	–	(1)	(179,652)	(179,653)
Issue of shares *(Note 21(d))*	47,100	–	–	–	47,100
	47,100	–	–	–	47,100
At 31 December 2021	4,178,664	–	(6)	(548,758)	3,629,900

	Share capital *IDR'million*	Capital paid in advance *IDR'million*	Other reserves *IDR'million* *(Note (a))*	Accumulated losses *IDR'million*	Total *IDR'million*
At 1 January 2022	4,178,664	–	(6)	(548,758)	3,629,900
Loss for the period	–	–	–	(3,981)	(3,981)
Fair value loss on cash flow hedge	–	–	(33,363)	–	(33,363)
Total comprehensive loss for the period	–	–	(33,363)	(3,981)	(37,344)
At 30 June 2022	4,178,664	–	(33,369)	(552,739)	3,592,556

Six months ended 30 June 2021 (unaudited)

	Share capital *IDR'million*	Capital paid in advance *IDR'million*	Other reserves *IDR'million* *(Note (a))*	Accumulated losses *IDR'million*	Total *IDR'million*
At 1 January 2021	4,131,564	–	(5)	(369,106)	3,762,453
Loss for the period	–	–	–	(46,021)	(46,021)
Total comprehensive loss for the period	–	–	–	(46,021)	(46,021)
At 30 June 2021	4,131,564	–	(5)	(415,127)	3,716,432

Note:

(a) Other reserves

Other reserves represent the balance of convertible loans, remeasurement deficit of defined benefit plan and fair value loss of cash flow hedge.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(313,594)	117,039	(33,114)	43,559	45,558
Adjustments for:						
Bank interest income		(3,343)	(737)	(714)	(217)	(973)
Finance costs	*5*	712,462	849,055	684,110	308,744	300,376
Loss on disposal of intangible assets	*6*	–	37	–	–	47
Loss on disposal of right-of-use assets	*6*	–	–	85	–	–
Depreciation of plant and equipment	*6*	1,821	2,129	1,930	1,011	908
Amortisation of intangible assets	*6*	174,442	185,822	197,661	96,940	105,480
Depreciation of right-of-use assets	*6*	356	554	451	221	302
		572,144	1,153,899	850,409	450,258	451,698
Decrease in government receivables, prepayments and other receivables		3,518,262	705,555	279,285	111,854	52,898
Increase/(decrease) in trade and other payables and accrued expenses		(2,697,573)	24,425	(113,828)	(107,058)	17,470
		1,392,833	1,883,879	1,015,866	455,054	522,066
Interest received		3,343	737	714	217	973
Interest paid		(695,964)	(752,010)	(516,889)	(270,328)	(287,089)
Interest element on lease liabilities		(41)	(80)	(57)	(33)	(32)
Net cash flows from operating activities		700,171	1,132,526	499,634	184,910	235,918
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of intangible assets		(2,972,438)	(163,441)	(157,025)	(13,602)	(8,525)
Acquisitions of plant and equipment		(2,592)	(152)	(266)	(22)	(209)
Net cash flows used in investing activities		(2,975,030)	(163,593)	(157,291)	(13,624)	(8,734)

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of issuance of bank loan transaction costs		(21,756)	(1,484)	(38,530)	–	(5,105)
Proceeds from new bank loans		2,201,699	206,197	7,811,140	–	1,021,178
Repayments of bank loans		(923,738)	(1,684,921)	(7,748,472)	(26,487)	(121,076)
Proceeds from issuance of share capital		770,000	47,900	47,100	–	–
Proceeds from shareholder's loans		235,000	394,139	7,751,119	14,962	–
Repayments of shareholder's loans		–	–	(7,983,490)	(124,649)	(1,058,369)
Principal portion of lease payments		(314)	(549)	(539)	(207)	(303)
Decrease/(increase) in restricted funds		(76,495)	60,626	2,303	(26,834)	(97,877)
Net cash flows from/(used in) financing activities		2,184,396	(978,092)	(159,369)	(163,215)	(261,552)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(90,463)	(9,159)	182,974	8,071	(34,368)
Cash and cash equivalents at beginning of year/period		115,679	25,216	16,057	16,057	199,031
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		25,216	16,057	199,031	24,128	164,663

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. Corporate information

PT Jasamarga Semarang Batang (the "Target Company") is a company incorporated in the Republic of Indonesia ("Indonesia") on 21 April 2016. The registered office of the Target Company is located at Plaza Tol Kalikangkung RW 01, Semarang City, Central Java 50187, Indonesia.

During the Relevant Periods, the Target Company was principally engaging in the concession for Batang-Semarang toll road project which includes financing, technical planning, construction, operation and maintenance of toll road.

In the opinion of the Target Company's director (the "Target Company Directors"), PT Jasa Marga (Persero) Tbk. is the immediate holding company and the government of Indonesia is the ultimate parent entity of the Target Company.

2.1 Basis of presentation

The Target Company financed its operation by obtaining funding from its equity holders and borrowings from third parties and related parties. The Historical Financial Information has been prepared under the going concern basis because, in the opinion of the Target Company Directors, the Target Company will have sufficient cash resources from its operations to meet its liabilities as and when they fall due.

2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Company throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, unless otherwise disclosed in the relevant notes to the financial statements.

2.3 First-time adoption of HKFRSs

In preparing these financial statements, the Target Company's opening statement of financial position was prepared as at 1 January 2019, being the date of transition to HKFRSs.

Reconciliation of equity

As at 1 January 2019 (date of transition to HKFRSs) and 30 June 2022 (the end of the latest period of the most recent financial statements under International Financial Reporting Standards (''IFRSs'')), there were no reclassifications or remeasurements to equity arising from the transition from IFRSs to HKFRSs.

2.4 Issued but not yet effective Hong Kong Financial Reporting Standards

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1,3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] *Effective for annual periods beginning on or after 1 January 2023*

[2] *No mandatory effective date yet determined but available for adoption*

[3] *As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*

[4] *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)

- a simplified approach (the premium allocation approach) mainly for short-duration contracts

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. This standard is not expected to have any significant impact on the Target Company's financial statements.

Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* provides transition option relating to comparative information about financial assets presented on initial application of HKFRS 17. The amendment aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKFRS 17 *Insurance Contracts* address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, HKICPA amended HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Company is currently assessing the impact of the amendments on the Target Company's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

2.5 Summary of significant accounting policies

Plant and equipment and depreciation

Plant and equipment, other than construction in progress, stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	20% to $33^1/_3$%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Maintenance costs related to computer software are recognised as expenses as incurred. Acquisition or development costs that are directly attributable to the design and testing of a software product are recognised as intangible assets. The costs that directly attributable and capitalised as part of computer software includes labor cost of development computer software and related overhead cost.

The principal annual rates used for amortisation purpose are as follows:

Computer software	$33^1/_3$%

Toll road concession rights

The Target Company accounts for its service concession arrangement under the intangible asset model as it receives the right (license) to charge users of public service. Concession assets are recorded at fair value of the benefit received or to be received. These concession assets are intangible assets which are amortised over the remaining concession period from the date of operation of the toll roads. During the construction period, the accumulated toll road construction cost is recognised as concession assets in progress. The amortisation of the cost starts when the concession assets are ready to be commercially operated.

The concession assets are derecognised at the end of the concession period. There will be no gain or loss upon derecognition as the concession assets which are expected to be fully amortised by then.

During the toll road concession rights period, the concession rights assets may be derecognised from the statement of financial position of the Target Company if the toll road is transferred to another party or the Government has changed the status of the toll road to non-toll road or if there is no economic benefit expected from usage of the toll road. Gain or loss from discontinuance or disposal of concession assets is recognised in the statement of profit or loss.

In addition, the Target Company recognises and measures construction revenue in accordance with HKFRS 15 *Revenue from Contracts with Customers*, for the services it performs. When the Target Company provides construction or upgrade services, the consideration received or to be received by the Target Company is recognised at its fair value.

During the construction period, the Target Company records intangible assets, and recognises revenues and costs of construction in accordance with the contract. Construction cost is the value of the construction contract.

Toll road concession assets are amortised over the concession period using the following methods:

1. Toll road concession rights for roads and toll bridges are amortised using the unit-of-use method based on traffic volume.

2. Toll road concession rights other than roads and toll bridges are amortised using the straight-line method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Contingencies

Unless the possibility of an outflow of resources embodying economic benefits is remote, contingent liabilities are disclosed. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Target Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Company reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Target Company as a lessee

Allocation of consideration to components of a contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Target Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Company; and
- an estimate of costs to be incurred by the Target Company in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Target Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful life of the assets are as follows:

Office equipment	2 years
Motor vehicles	1.5 to 3 years

The Target Company presents right-of-use assets as a separate line item on the statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value.

Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Company recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Company uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Target Company presents lease liabilities as a separate line item on the statement of financial position.

Lease modifications

The Target Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Company remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Financial instruments

Financial assets and financial liabilities are recognised when a Target Company entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Company may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and financial guarantee contracts subject to impairment assessment under HKFRS 9

The Target Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including government receivables and other receivables, restricted funds and cash and bank balances) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, the Target Company measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Target Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Target Company considers the changes in the risk that the specified debtor will default on the contract.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties;

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Target Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Company expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Target Company will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for government receivables are taken into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Target Company takes into consideration the following characteristics when formulating the Target Companying:

- Past-due status;
- Nature, size and industry of receivables; and
- External credit ratings where available.

The Target Companying is regularly reviewed by management to ensure the constituents of each Target Company continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9, and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration arising from acquisition of a joint venture, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Target Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the Target Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings, lease liabilities and shareholder's loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Hedge accounting

The Target Company designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Target Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Target Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For determining whether a forecast transaction (or a component thereof) is highly probable, the Target Company assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Target Company considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Target Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Target Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion, if any, is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Target Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Target Company discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions are ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Cash and bank balances

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and time deposits with maturity of generally within three months when acquired. Banks balances or deposits that are restricted for use as collateral are not classified as part of "Cash and bank balances" but are presented in the "Restricted Funds" account.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

Provision for toll road overlay

The cost of overlay is periodically provided based on estimated utilisation of toll road by customers. The estimated net provision for toll road overlay is discounted to its present value that reflects current provision.

Employee benefit liability

The Target Company recognised employee benefit liability according to law of Indonesia. In accordance with HKAS 19, attributing benefit to periods of service, whereby the cost providing post-employment benefits is determined using the Projected Unit Credit method. The actuarial gains or losses incurred are recognised to Other Comprehensive Income and is presented in the equity section. Past service cost is recognised immediately to profit or loss. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Target Company recognises the following changes in the net employee benefits liability in the profit or loss:

1. Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and

2. Net interest expense or income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the curtailment or settlement occurs.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same Target Company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a Target Company of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Revenue from contracts with customers

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the Target Company performs;

- the Target Company's performance creates or enhances an asset that the customer controls as the Target Company performs; or

- the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Company's performance in transferring control of goods or services.

As a practical expedient, if the Target Company has a right to consideration in an amount that corresponds directly with the value of the Target Company's performance completed to date, the Target Company recognises revenue in the amount to which the Target Company has the right to invoice.

The transaction price is based on the amount billed to customer excluding value added taxes.

The following specific recognition criteria must also be met before revenue is recognised:

Toll revenue

The Target Company's revenues from toll road operations are recognised as performance obligation is satisfied. The performance obligation is the use of the road, and the transaction price is calculated based on passing through toll ticket booths.

Construction revenue

The Target Company recognises construction revenues over time by using the output method based on the monthly report over the completed construction progress from the external party that was appointed for the assets' construction. The construction revenue and expenses are recognised in accordance with HK(IFRIC)-Int 12, as such, the fair value of the construction revenue recognised by the Target Company is approximate to the construction costs incurred based on the output method.

Other revenue

The Target Company's revenues from advertisement are recognised over time on a straight-line basis over the advertisement period. The revenue received in advance are presented as Contract Liabilities in "Other payables and accrued expenses".

3. Significant accounting judgements and estimates

In the application of the Target Company's accounting policies, the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Service concession arrangement

HK(IFRIC)-Int 12 outlines an approach to account for service concession arrangement arising from entities providing public services. It provides that the operator (concession right beneficiary) should not account for the infrastructure as fixed assets but should recognise a financial asset and/or an intangible asset.

Badan Pengatur Jalan Tol ("BPJT"), an institution to govern toll road in Indonesia, granted the Target Company rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the toll roads that contained in the Toll Road Concession Agreement as defined in note 12.

Upon expiry of the service concession period, the Target Company shall handover the toll roads to BPJT without cost, fully operational and in good working condition, including any and all existing land, works, toll road facilities and equipment found therein directly related to, and in connection with, the operation of the toll road facilities

The Target Company has made judgment that the BPJT met the criteria under the intangible asset model, wherein the concession asset is recognised as an intangible asset in accordance with HKAS 38 *Intangible Assets.*

The Target Company is required by HK(IFRIC)-Int 12 to present a profit or loss item reflecting the income from construction or improvements to concession assets made during the year/period in the statement of profit or loss.

The Target Company recognises construction revenue of concession asset and construction costs of concession asset in accordance with HKFRS 15. The Target Company measures construction revenue at the fair value of the consideration received or to be received and will add the margin, based on management estimation calculated in certain model, in determining the initial toll road tariff before the toll road is operated.

Estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Amortisation of toll road concession rights

Amortisation of toll road operation rights of the Target Company is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession period is reviewed at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies related to the toll road operations, as well as forecasted economic growth in the region. The effects of changes in estimates are accounted for prospectively and reflected in the Target Company's financial statements.

In determining amortisation of toll road concession rights, the management of the Target Company has to project traffic volume after current year for the remaining years of the concession agreement. Traffic volume is projected based on the number of vehicles and adjusted by comparison to actual vehicle volume. However, the actual traffic volume in the future could differ from the estimate, depending on the changes in external factors that may affect toll tariff and traffic volume.

The management of the Target Company performs periodic assessment on the total projected traffic volume and make an appropriate adjustment if there is a material difference between projected and actual traffic volume.

Provision for toll road overlay

Provision for toll road overlay will be recorded periodically based on the estimated utilisation of toll road by customers. This provision is measured using the present value of the management of the Target Company's estimate of the expenditure required to settle present obligation at the reporting date.

Provision of ECL

ECL is based on the difference between the contractual cash flows contained in the contract and all cash flows that the Target Company expects to receive, discounted using the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit extensions that are an integral part of the terms of the contract.

Expected credit losses are recognised in two stages. Credit risk on financial instruments that has not increased significantly since initial recognition, the measurement of allowance for losses is carried out in the amount of 12 months expected credit losses. For credit risk on financial instruments that has increased significantly since initial recognition, allowance for losses is provided over its lifetime.

The Target Company does not recognise ECL for government receivables since it is determined to be at zero Loss Given Default (LGD) as the Indonesia Government guarantees the payment its entire receivables.

For other receivables and contract assets, the Target Company applies practical guidelines in calculating expected credit losses. Accordingly, the Target Company does not identify changes in credit risk, but instead measures the allowance for losses in the amount of lifetime expected credit losses.

The Target Company has established a provision matrix based on historical credit loss data, adjusted for customer-specific forward-looking factors and the economic environment. The Target Company considers a financial asset to meet the definition of default when it is more than 90 days in arrears. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that it is not possible for the Target Company to receive full contractual cash flows without extending credit terms.

Other receivables are written off when it is not possible to recover the contractual cash flows, after all collection efforts have been made and the allowance has been fully made.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. Revenue and segment information

An analysis of the Target Company's revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
				(Unaudited)	
Toll road segment					
Revenue from contracts with customers					
Toll road revenue *(note a)*	670,382	1,259,612	965,897	512,118	516,661
Construction revenue *(note b)*	275,703	51,331	141,743	110,942	434
	946,085	1,310,943	1,107,640	623,060	517,095
Revenue from other sources					
Other operating revenue	6	–	2,147	50	340
	946,091	1,310,943	1,109,787	623,110	517,435
Timing of revenue recognition for contracts with customers					
Services transferred at a point in time	670,382	1,259,612	965,897	512,118	516,661
Services recognised over time	275,703	51,331	141,743	110,942	434
	946,085	1,310,943	1,107,640	623,060	517,095

Notes:

(a) Included in toll road revenue of IDR143,126 million for both the year ended 31 December 2021 and the six months ended 30 June 2021 and IDR636,874 million for the year ended 31 December 2020 were cash compensation received from the government of Indonesia in relation to toll tariff adjustment in accordance with the amendments of the relevant toll road concession agreement.

(b) Construction revenue is derived from construction and enhancement of toll road. Construction revenue is recognised using the cost-plus method.

The following table shows the amounts of revenue recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
				(Unaudited)	
Toll road segment					
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Toll road revenue	–	–	143,126	143,126	505

Segment information

The Target Company's operating segment, based on the information reported to the Target Company's chief operating decision maker for the purpose of resources allocation and assessment of performance is as follows:

Toll road segment – development, operation, construction and management of toll roads

No other operating segments have been aggregated in arriving at the reportable segments of the Target Company.

Geographical information

The Target Company's revenue from customers is derived solely from its operations and services rendered in Indonesia, and the non-current assets of the Target Company are located in Indonesia.

Information about major customers

For the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% of the Target Company's revenue.

Performance obligations

Information about the Target Company's performance obligations is summarised below:

Toll road revenue

Revenue from the toll road business is recognised when vehicles pass through the toll road and the Target Company received the payment or has the right to receive payment.

Construction revenue

The performance obligation is satisfied over time as construction services are rendered when the Target Company's performance creates and enhances an asset that the customer controls as the construction and upgrade services are performed.

5. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
				(Unaudited)	
Syndicated loan interest expense	591,956	710,319	520,232	268,307	294,219
Amortisation of transaction costs	6,422	10,305	77,233	3,769	1,946
Net shareholder's loans interest expense	110,461	125,501	84,309	35,545	4,080
Investment credit agency fee	1,060	2,849	2,165	1,060	100
Others	2,563	81	171	63	31
	712,462	849,055	684,110	308,744	300,376

6. Profit/(loss) before tax

The Target Company's profit/(loss) before tax is arrived at after charging:

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Auditor's remuneration		186	193	188	(188)	(110)
Cost of revenue						
– Toll road		250,998	275,621	301,237	151,744	162,723
– Construction		275,113	51,331	141,743	110,942	434
Depreciation of property, plant and equipment	*10*	1,821	2,129	1,930	1,010	908
Depreciation of right-of-use assets	*11*	356	554	451	218	302
Amortisation of intangible assets, included in cost of revenue	*12*	174,396	185,218	197,026	96,629	105,154
Amortisation of intangible assets, included in administrative expenses	*12*	46	604	635	311	326
Loss on disposal of intangible assets		–	37	–	–	47
Loss on disposal of right-of-use assets		–	–	85	–	–
Lease payment not included in measurement of lease liabilities	*11*	1,559	726	104	104	48
Employee benefit expenses (including directors' remuneration):						
Salaries and other staff costs		10,235	8,342	7,696	4,824	5,082
Retirement benefits scheme contribution		33	414	492	199	242
		10,268	8,756	8,188	5,023	5,324

7. Directors' and commissioners' remuneration

Directors, commissioners and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Retirement benefits scheme contributions	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
31 December 2019					
Executive directors					
Arie Irianto	–	976	69	97	1,142
Abdul Rokhim	–	856	66	83	1,005
Heru Zulkarnaen	–	139	66	–	205
Netty Renova	–	69	–	–	69
Saut Simatupang	–	–	6	–	6
Commissioners					
Nyoman Widya Adnyana	–	366	27	43	436
Vera Kirana	–	335	12	39	386
Tommy Hesarid Simamora	–	335	8	39	382
Truly Nawangsasi	–	–	12	–	12
	–	3,076	266	301	3,643
31 December 2020					
Executive directors					
Netty Renova	–	850	–	90	940
Abdul Rokhim	–	817	46	–	863
Arie Irianto	–	619	53	–	672
Prajudi	–	309	–	100	409
Heru Zulkarnaen	–	–	11	–	11
Commissioners					
Tommy Hesarid Simamora	–	315	19	–	334
Nyoman Widya Adnyana	–	232	21	–	253
Vera Kirana	–	212	19	–	231
Ratna Ningrum	–	102	–	40	142
Sutomo	–	112	–	45	157
	–	3,568	169	275	4,012

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Retirement benefits scheme contributions	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
31 December 2021					
Executive directors					
Prajudi	–	1,084	20	100	1,204
Netty Renova	–	493	56	90	639
Abdul Rokhim	–	479	54	–	533
Zulfan Pribudi	–	272	–	85	357
Herlambang Septiaji	–	204	–	84	288
Arie Irianto	–	–	41	–	41
Commissioners					
Sutomo	–	378	7	45	430
Tommy Hesarid Simamora	–	345	21	–	366
Ratna Ningrum	–	159	7	40	206
Diyantini Soesilowati	–	61	–	40	101
Nyoman Widya Adnyana	–	–	15	–	15
Vera Kirana	–	–	14	–	14
	–	3,475	235	484	4,194
Six months ended 30 June 2021					
Executive directors					
Prajudi	–	542	20	100	662
Netty Renova	–	493	56	90	639
Abdul Rokhim	–	479	54	–	533
Herlambang Septiaji	–	–	–	84	84
Arie Irianto	–	–	41	–	41
Commissioners					
Ratna Ningrum	–	159	7	40	206
Tommy Hesarid Simamora	–	159	21	–	180
Sutomo	–	174	7	–	181
Nyoman Widya Adnyana	–	–	15	–	15
Vera Kirana	–	–	14	–	14
	–	2,006	235	314	2,555

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Retirement benefits scheme contributions	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
Six months ended 30 June 2022					
Executive directors					
Prajudi	–	464	–	–	464
Zulfan Pribudi	–	408	–	–	408
Boyke Tiranda Subekti	–	136	–	85	221
Commissioners					
Sutomo	–	199	–	–	199
Tommy Hesarid Simamora	–	106	–	–	106
Diyantini Soesilowati	–	79	–	–	79
Labuan Nababan	–	79	–	–	79
Erlita Dwi	–	53	–	–	53
	–	1,524	–	85	1,609

The five highest paid employees during the Relevant Periods are all directors and their remuneration information are disclosed above.

Notes:

Arie Irianto was the chief executive officer of the Target Company from 1 January 2019 to 3 September 2020. Prajudi was appointed as the chief executive officer of the Target Company with effect from 4 September 2020.

8. Income tax

No provision for corporate income tax of the Indonesia had been made as the Target Company did not generate any assessable profits arising in Indonesia during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Deferred tax expense for the year/period *(note 18)*	132,856	69,469	146,538	89,580	49,539

A reconciliation of the tax credit applicable to loss before tax at the statutory rates to the tax credit at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Profit/(loss) before tax	(313,594)	117,039	(33,114)	43,559	45,558
Tax at the applicable income tax rate *(note)*	(78,398)	25,749	(7,285)	9,582	10,023
Tax effect of permanent differences	(950)	(47,698)	31,680	31,772	(98)
Tax losses not recognised	212,204	91,418	122,143	48,226	39,614
Tax expense at the Target Company's effective tax rate	132,856	69,469	146,538	89,580	49,539

Note: The corporate income tax rate in Indonesia was 25% for fiscal year 2019. In March 2020, the corporate income tax rates in Indonesia reduced from the rate of 25% to 22% for fiscal years 2020 and 2021.

On 29 October 2021, the Government of Indonesia issued The Law on Harmonization of Tax Regulations Indonesia (Law No.7/2021). The regulation has stipulated the income tax rate for domestic taxpayers and business establishments of 22% which will be effective from the fiscal year 2022 onwards. Hence, the previously tax rate determination of 20% will be invalid upon the ratification of the Law No.7/2021.

9. Dividends

No dividend has been paid or declared by the Target Company during the Relevant Periods.

10. Plant and equipment

Office equipment	**31 December 2019**	**31 December 2020**	**31 December 2021**	**30 June 2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Cost:				
At beginning of year/period	6,221	8,813	8,965	9,231
Additions	2,592	152	266	209
At end of year/period	8,813	8,965	9,231	9,440
Accumulated depreciation:				
At beginning of year/period	(809)	(2,630)	(4,759)	(6,689)
Charge for the year	(1,821)	(2,129)	(1,930)	(908)
At end of year/period	(2,630)	(4,759)	(6,689)	(7,597)
Net carrying amount	6,183	4,206	2,542	1,843

11. Leases

(a) Right-of-use assets

	Office equipment *IDR'million*	**Motor vehicles** *IDR'million*	**Total** *IDR'million*
At 1 January 2019	–	–	–
Addition	253	1,180	1,433
Depreciation	(105)	(251)	(356)
At 31 December 2019 and 1 January 2020	148	929	1,077
Addition	–	154	154
Depreciation	(126)	(428)	(554)
At 31 December 2020 and 1 January 2021	22	655	677
Addition	–	598	598
Depreciation	(22)	(429)	(451)
Disposal	–	(85)	(85)
At 31 December 2021 and 1 January 2022	–	739	739
Addition	–	554	554
Depreciation	–	(302)	(302)
At 30 June 2022	–	991	991

(b) Lease liabilities

	31 December 2019	**31 December 2020**	**31 December 2021**	**30 June 2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
At beginning of the year/period	–	1,119	724	783
Addition	1,434	152	510	554
Interest expense	41	80	57	32
Payment	(356)	(627)	(508)	(335)
At end of the year/period	1,119	724	783	1,034
Analysed for reporting purposes as:				
Current liabilities	515	351	450	404
Non-current liabilities	604	373	333	630
	1,119	724	783	1,034

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Interest on lease liabilities	40	80	57	33	32
Depreciation on right-of-use assets	356	554	451	218	302
Expenses relating to short-term leases	1,559	726	104	104	48
	1,955	1,360	612	355	382

12. Intangibles assets

	Concession rights					
	Roads and toll bridges	Toll road complementary building	Toll road complementary facilities	Toll road in construction	Computer software	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
31 December 2019						
Cost:						
At 1 January 2019	–	–	–	12,314,872	–	12,314,872
Addition	–	–	–	298,103	1,784	299,887
Transfer	11,081,233	708,806	703,387	(12,493,426)	–	–
At 31 December 2019	11,081,233	708,806	703,387	119,549	1,784	12,614,759
Amortisation and impairment:						
At 1 January 2019	–	–	–	–	–	–
Amortisation	(60,899)	(14,922)	(98,575)	–	(46)	(174,442)
At 31 December 2019	(60,899)	(14,922)	(98,575)	–	(46)	(174,442)
Net carrying amount	11,020,334	693,884	604,812	119,549	1,738	12,440,317
31 December 2020						
Cost:						
At 1 January 2020	11,081,233	708,806	703,387	119,549	1,784	12,614,759
Addition	–	–	–	51,331	80	51,411
Disposal	–	–	(46)	–	–	(46)
Transfer	84,643	53,399	20,491	(158,533)	–	–
At 31 December 2020	11,165,876	762,205	723,832	12,347	1,864	12,666,124
Amortisation and impairment:						
At 1 January 2020	(60,899)	(14,922)	(98,575)	–	(46)	(174,442)
Disposal	–	–	9	–	–	9
Amortisation	(66,466)	(15,880)	(102,872)	–	(604)	(185,822)
At 31 December 2020	(127,365)	(30,802)	(201,438)	–	(650)	(360,255)
Net carrying amount	11,038,511	731,403	522,394	12,347	1,214	12,305,869

	Concession rights					
	Roads and toll bridges	Toll road complementary building	Toll road complementary facilities	Toll road in construction	Computer software	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
31 December 2021						
Cost:						
At 1 January 2021	11,165,876	762,205	723,832	12,347	1,864	12,666,124
Addition	–	195	8,580	141,742	95	150,612
At 31 December 2021	11,165,876	762,400	732,412	154,089	1,959	12,816,736
Amortisation and impairment:						
At 1 January 2021	(127,365)	(30,802)	(201,438)	–	(650)	(360,255)
Amortisation	(77,176)	(16,074)	(103,776)	–	(635)	(197,661)
At 31 December 2021	(204,541)	(46,876)	(305,214)	–	(1,285)	(557,916)
Net carrying amount	10,961,335	715,524	427,198	154,089	674	12,258,820
30 June 2022						
Cost:						
At 1 January 2022	11,165,876	762,400	732,412	154,089	1,959	12,816,736
Addition	–	–	–	436	–	436
Disposal	–	–	–	–	(180)	(180)
At 30 June 2022	11,165,876	762,400	732,412	154,525	1,779	12,816,992
Amortisation and impairment:						
At 1 January 2022	(204,541)	(46,876)	(305,214)	–	(1,285)	(557,916)
Disposal	–	–	–	–	133	133
Amortisation	(44,795)	(8,040)	(52,319)	–	(326)	(105,480)
At 30 June 2022	(249,336)	(54,916)	(357,533)	–	(1,478)	(663,263)
Net carrying amount	10,916,540	707,484	374,879	154,525	301	12,153,729

Concession rights

On 27 April 2016, the Target Company entered into a concession agreement with BPJT in relation to the Batang-Semarang toll road project (the "Toll Road Concession Agreement"). The concession period was 45 years (and further extended to 50 years in the amended agreement with BPJT on 13 October 2020). Pursuant to the Toll Road Concession Agreement, the Target Company has to construct, operate and manage the Batang-Semarang toll road over the service concession period. BPJT guarantees that the Target Company will receive the agreed investment return rate in connection with Toll Road Concession Agreement or receive a top up fee depending on the actual tariff rate and volume of traffic. The Target Company has the obligation to maintain the Batang-Semarang toll road in good condition and the operation of Batang-Semarang toll road will be transferred to BPJT upon expiry of the concession period.

Impairment testing on concession rights

For impairment testing purpose, based on the Target Company's operation, the carrying amounts of concession rights have been allocated to the sole cash generating unit ("CGU") – toll road.

An impairment review of the CGU is undertaken annually or when events or circumstances indicate that the carrying amounts of the CGU may not be recoverable. The recoverable amounts of the CGU have been determined by the value in use method using cash flow projections by management for the Relevant Periods.

For the purpose of impairment testing, the Target Company prepares cash flow projections based on the financial budgets till the end of the concession period approved by management.

Key assumptions used in the cash flow projections of concession rights of toll road covering till the end of the concession period are as follows:

	31 December 2019	**31 December 2020**	**31 December 2021**	**30 June 2022**
	%	%	%	%
Revenue growth rate *(Note i)*	5-18	5-18	5-18	5-18
Discount rate *(Note ii)*	10.6	10.6	10.6	10.6

Notes:

i. Management determined the revenue growth rate with reference to the past performance and its expectations for future traffic volume.

ii. The discount rate used is the pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the concession rights.

The Target Company has not recognised any impairment loss in respect of concession rights for the Relevant Period based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the concession rights to exceed the aggregate recoverable amount of these assets.

13. Government receivables, prepayments and other receivables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Current assets				
Prepayments	1,404	216	170	3,358
Government receivables *(Note)*	1,122,514	539,917	270,448	223,212
Other receivables	1,522	6,863	4,413	9,174
	1,125,440	546,996	275,031	235,744

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in other receivables of IDR1,522 million, IDR3,958 million, IDR3,184 million and IDR7,013 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were balances due from related parties. (Note 19)

Note:

Government receivables represented cost of land of the toll road paid by the Target Company to the landowner and the balances will be reimbursed by the government of Indonesia, the controlling parent entity of the Target Company. (Note 19)

14. Restricted funds

Restricted funds mainly comprise of funds restricted for use in relation to the relevant syndicated bank borrowing agreements and cash collected from toll road that was pledged for the syndicated bank borrowings. (Note 17)

Balances of IDR96,925 million, IDR47,906 million, IDR62,517 million and IDR61,724 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were pledged for the the syndicated bank borrowings.

Included in restricted funds of IDR116,905 million, IDR68,862 million, IDR60,698 million and IDR130,444 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were balances placed in bank accounts with related parties. (Note 19)

15. Cash and bank balances

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Cash and bank balances	25,216	16,057	99,031	4,663
Time deposit	–	–	100,000	160,000
	25,216	16,057	199,031	164,663

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits earn interest at the respective short term time deposit rates.

Included in cash and bank balances of IDR25,179 million, IDR16,020 million, IDR98,994 million and IDR4,626 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were balances placed with a related party. (Note 19)

Included in time deposit of IDR100,000 million and IDR160,000 million as at 31 December 2021 and 30 June 2022, respectively, were time deposit placed with a related party. (Note 19)

16. Trade and other payables and accrued expenses

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
Aged analysis of the trade payables presented based on the invoice date:					
Trade payables					
Within 60 days		–	–	10,712	581
61 to 90 days		–	–	–	–
91 days to 180 days		–	–	630	8,479
More than 180 days		8,925	8,020	440	1,070
	(a)	8,925	8,020	11,782	10,130
Accrued construction costs	*(b)*	119,290	9,601	11,280	–
Accrued toll road management and operation expenses	*(b)*	4,171	9,684	10,814	29,601
Accrued interest expenses	*(b)*	19,131	28,781	36,638	12,909
Other accrued expenses	*(b)*	41,565	18,566	11,265	11,319
Retention payables	*(c)*	7,946	7,946	31	22
Provision for toll road overlay	*(d)*	13,669	33,822	62,637	73,878
Contract liabilities	*(e)*	–	143,126	505	914
		205,772	251,526	133,170	128,643
		214,697	259,546	144,952	138,773
Analysed for reporting purposes as:					
Current liabilities		198,874	210,030	73,557	86,996
Non-current liabilities		15,823	49,516	71,395	51,777
		214,697	259,546	144,952	138,773

Notes:

(a) Trade payables

Included in trade payables of IDR7,240 million, IDR5,838 million, IDR11,782 million and IDR10,130 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were amounts due to related parties. (Note 19)

The trade payables are non-interest-bearing and are normally settled on terms of 14 to 21 days

(b) Accrued expenses

The accrued expenses include the accrued construction costs, accrued toll road management and operation expenses, accrued interest expenses and other accrued expenses. The accrued expenses of IDR137,183 million, IDR48,934 million, IDR51,986 million and IDR31,304 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, were amounts due to related parties. (Note 19)

(c) Retention payables

Included in retention payables of IDR7,924 million as at 31 December 2019 and 2020, respectively, were amounts due to related parties. (Note 19)

(d) Provision for toll road overlay

Provision for toll road overlay is recorded based on the estimated utilisation of toll road by customers. This provision is measured using the present value of the management's estimate of the expenditure required to settle present obligation at the reporting date. The movement of the provision is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
At beginning of the year/period	–	13,669	33,822	62,637
Addition	13,669	20,153	28,815	11,241
At end of the year/period	13,669	33,822	62,637	73,878

(e) Contract liabilities

As at 31 December 2020, contract liabilities of IDR143,126 million represented cash compensation received from the government of Indonesia while the related service has not been performed and revenue was not yet recognised accordingly. As at 31 December 2021 and 30 June 2022, the contract liabilities represented advances received from customers in relation to billboard advertisement along the toll road.

17. Bank borrowings

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
Syndicated bank loans April 2018	*(a)*				
– From third parties		4,677,319	4,276,983	–	–
– From related parties *(Note 19)*		3,670,235	3,366,495	–	–
Syndicated bank loans September 2018	*(b)*				
– From third parties		265,777	–	–	–
– From related parties *(Note 19)*		508,874	–	–	–
Syndicated bank loans 2021	*(c)*				
– From third parties		–	–	4,477,298	5,000,262
– From related parties *(Note 19)*		–	–	3,228,821	3,605,958
Less: Borrowing costs		(80,881)	(74,694)	(38,502)	(42,080)
Total bank borrowings		9,041,324	7,568,784	7,667,617	8,564,140
Due within one year and included as current liabilities		(819,714)	(50,722)	(35,827)	(40,527)
Mature over one year and included as non-current liabilities		8,221,610	7,518,062	7,631,790	8,523,613
Analysed into:					
Bank borrowings repayable					
Within one year or on demand		795,520	58,275	38,530	21,818
In the second year		271,295	344,356	269,714	305,455
In the third year to fifth years, inclusive		626,067	953,601	539,428	610,911
Beyond five years		7,429,323	6,287,246	6,858,447	7,668,036
		9,122,205	7,643,478	7,706,119	8,606,220
Less: Borrowing costs		(80,881)	(74,694)	(38,502)	(42,080)
		9,041,324	7,568,784	7,667,617	8,564,140

All borrowings were denominated in IDR as at the end of each reporting date in the Relevant Periods.

Certain loans were secured by toll road concession rights, restricted funds and other receivables as at the end of each reporting date.

Notes:

(a) Syndicated bank loans April 2018

On 17 April 2018, the Target Company entered into a syndicated bank loans agreement with certain banks in Indonesia. The maximum credit facility for Tranche I was IDR7,352,000 million and Tranche II was IDR379,000 million.

On 26 December 2019, the Target Company and the banks entered into first amendment syndicated bank loans agreement. The Target Company obtained additional credit facility of IDR910,000 million for Tranche III and IDR139,000 million for Tranche IV. As such, the maximum credit facility increased to IDR8,780,000 million after the first amendment. On 16 April 2020, the Target Company and the banks entered into second amendment syndicated bank loans agreement. The Target Company agreed to extend the availability period of Tranche III to no later than 20 April 2020. On 21 October 2021, the Target Company and the banks entered into third amendment syndicated bank loans agreement. The Target Company obtained additional credit facility of IDR112,000 million as Tranche V. The maximum credit facility was extended to IDR8,892,000 million after the amendment.

The syndicated bank loans mature in 180 months since commencement of the agreement or 17 April 2033 whichever is the earlier. The interest rate was at floating rate which was based on average time deposit 3 months rate + 4% per annum. The effective interest rates were:

- For the year ended 31 December 2019: 9.23%-9.9%
- For the year ended 31 December 2020: 7.35%-9.24%
- For the year ended 31 December 2021: 6.76%-7.35%

On 23 December 2021, the Target Company has fully repaid this syndicated bank loans voluntarily.

(b) Syndicated bank loans September 2018

On 20 September 2018, the Target Company entered into syndicated bank loan with certain banks in Indonesia. The maximum credit facility was IDR2,186,000 million. The syndicated bank loans will mature in 24 months or no later than 22 September 2022. The effective interest rates during the year ended 31 December 2019 were ranging from 8.66% to 9.09%.

On 18 September 2020, the Target Company has fully repaid this bank loan.

(c) Syndicated bank loans 2021

On 27 December 2021, the Target Company and certain banks in Indonesia entered into another syndicated bank loans agreement with total credit facility of IDR8,950,000 million. The maximum credit facility for Tranche I was IDR8,811,000 million and Tranche II was IDR139,000 million.

The loan will mature on 27 December 2036 without grace period and the availability period will be on 6 January 2022 for tranche I and 24 months since the syndicated bank loans agreement signed by each party for tranche II (i.e. 27 December 2023).

The interest rates applied were:

- Tranche I: fixed rate at 6.75% per annum for 60 months period and floating rate based on average time deposit 1 month rate + 3% per annum for the period after 60 months.

- Tranche II: floating rate based on average time deposit 1 month rate + 3% per annum.

The effective interest rate was 6.82% for the year ended 31 December 2021 and six months ended 30 June 2022.

18. Deferred tax

For the purpose of presentation in the statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Deferred tax assets	1	–	–	25,356
Deferred tax liabilities	(132,857)	(202,325)	(348,863)	(414,348)
Presented as net deferred tax liabilities	(132,856)	(202,325)	(348,863)	(388,992)

The following are the major deferred tax assets/liabilities recognised by the Target Company, and the movements thereon during the Relevant Periods:

Tax effect of deductible temporary differences:

	Fair value changes on cash flow hedge	Defined benefit plan	Tax losses	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
At 1 January 2019	–	–	–	–
Credited to profit or loss during the year *(note 8)*	–	1	–	1
At 31 December 2019 and 1 January 2020	–	1	–	1
Charged to profit or loss during the year *(note 8)*	–	(1)	–	(1)
At 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	–	–	–	–
Credited to profit or loss during the period *(note 8)*	–	–	15,946	15,946
Credited to other comprehensive income during the year	9,410	–	–	9,410
At 30 June 2022	9,410	–	15,946	25,356

Tax effect of taxable temporary differences:

	Difference in amortisation basis for toll road concession right assets
	IDR'million
At 1 January 2019	–
Credited to profit or loss during the year *(note 8)*	132,857
At 31 December 2019 and 1 January 2020	132,857
Charged to profit or loss during the year *(note 8)*	69,468
At 31 December 2020 and 1 January 2021	202,325
Charged to profit or loss during the year *(note 8)*	146,538
At 31 December 2021 and 1 January 2022	348,863
Charged to profit or loss during the period *(note 8)*	65,485
At 30 June 2022	414,348

The Target Company has tax losses arising in Indonesia of IDR863,760 million, IDR1,115,953 million, IDR1,780,560 million and IDR1,969,737 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, that will expire in five years for offsetting against future taxable profits.

Deferred tax assets of IDR15,946 million have been recognised in respect of the tax losses as at 30 June 2022 as it is considered probable that future taxable profits will be available against which the tax losses can be utilised.

19. Balances with related parties

An analysis of the amounts due from/(to) related parties is as follows:

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
Ultimate parent entity – Government of Indonesia					
Current assets					
Government receivables, prepayments and other receivables	*13*	1,122,514	539,917	270,448	223,212
Immediate holding company – PT Jasa Marga (Persero) Tbk. ("JM")					
Current assets					
Government receivables, prepayments and other receivables	*13*	–	559	–	3,433
Current liabilities					
Trade and other payables and accrued expenses	*16*	–	10,128	7,921	–
Shareholder's loan	*19(a)*	428,250	649,736	415,270	–
		428,250	659,864	423,191	–
Non-current liabilities					
Trade and other payables and accrued expenses	*16*	2,767	9,195	24,974	–
Shareholder's loan	*19(a)*	251,857	509,943	603,326	–
		254,624	519,138	628,300	–
Entities under common control of ultimate parent entity					
Current assets					
Other receivables	*13*	1,522	3,399	3,184	3,580
Restricted funds	*14*	116,905	68,862	60,698	130,444
Cash and bank balances	*15*	25,179	16,020	198,994	164,626
		143,606	88,281	262,876	298,650
Current liabilities					
Trade and other payables and accrued expenses	*16*	149,304	37,507	24,987	41,434
Bank loans	*17*	518,048	23,332	16,145	18,285
		667,352	60,839	41,132	59,719
Non-current liabilities					
Trade and other payables and accrued expenses	*16*	276	5,866	5,886	–
Bank loans	*17*	3,661,061	3,343,163	3,212,676	3,587,673
		3,661,337	3,349,029	3,218,562	3,587,673

Except for bank loans and shareholder's loans as disclosed in notes (a) and (b) below, the balances with related parties are unsecured, interest-free and repayable on demand as 31 December 2019, 2020, 2021 and 30 June 2022.

Notes:

(a) Shareholder's loan

Working capital loan agreement

To support the daily operations and working capital requirement of the Target Company, several working capital shareholder's loan agreements were entered into between JM and the Target Company during the Relevant Periods. During the six months ended 30 June 2022, the Target Company has fully repaid the shareholder's loan.

The applicable interest rates were as follows:

	2019	2020	2021	2022
Interest rate	1.08%-11.75%	9.17%-11.08%	8.33%-9.17%	8.75%

Syndicated refinancing loan agreement

On 13 December 2021, the Target Company and JM entered into a shareholder loan agreement, whereas JM agreed to provide loan to the Target Company with a maximum facility of IDR7,713,000 million to support the Target Company's syndicated bank loans refinancing activities. The applicable interest was 6.75% per annum with simple interest method and effective interest rate was 6.82% per annum. During the six months ended 30 June 2022, the Target Company has fully repaid the shareholder's loan.

(b) Convertible loan agreements

Mandatory convertible loan agreement (MCL) 2019

On 19 December 2019, the Target Company, JM and PT Waskita Toll Road ("WTR"), a related party, entered into mandatory convertible loan agreement, whereas JM and WTR agreed to provide loan with maximum facility amounted to IDR616,000 million. Each party agreed to provide loan to the Target Company of IDR308,000 million, respectively. As stipulated in the terms of the agreement, the loan will be mandatorily converted into 616,000,000 shares at par value of IDR1,000.

On 25 February 2020, the entire loan principal of IDR616,000 million has been fully converted as the Target Company's share capital of 616,000,000 shares at par value of IDR1,000.

On 23 May 2022, the Target Company has fully repaid its interest payable to JM and WTR.

Convertible loan agreement 2019

On 19 December 2019, the Target Company and JM entered into a convertible loan agreement, whereas JM agreed to provide loan of IDR154,000 million. As stipulated in the terms of the agreement, the loan shall be converted as the Target Company's share capital of 154,000,000 shares at par value of IDR1,000.

On 25 February 2020, the entire loan principal of IDR154,000 million has been fully converted as the Target Company's share capital of 154,000,000 shares at par value of IDR1,000.

On 23 May 2022, the Target Company has fully repaid its interest payable to JM.

20. Related party transactions

(a) In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Target Company had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Immediate holding company – JM						
Interests on shareholder's loan	*(i)*	166,003	138,354	104,861	51,952	990
Shareholder – PT Waskita Toll Road ("WTR")						
Interests on shareholder's loan	*(i)*	827	5,058	–	–	–
Shareholder – PT Sarana Multi Infrastruktur (Persero)						
Interests on bank loans	*(ii)*	65,084	70,050	50,519	29,500	–
Entities under common control of ultimate parent entity						
Interests on bank loans	*(ii)*	232,831	266,158	178,470	86,763	120,855
Toll and other operating expenses	*(iii)*	42,065	51,830	56,366	28,188	34,560
Construction expenses	*(iv)*	275,041	47,962	135,972	106,943	–

Notes:

(i) The Target Company entered into the shareholder's loan agreement with JM and WTR. For further details on the interest expenses please refer to note 19(a).

(ii) The Target Company entered into syndicated loans with shareholders and related companies. For further details on the interest expenses please refer to note 17(a) and 17(b).

(iii) The toll and other operating expenses include the toll road management, maintenance, e-payment implementation, equipment, and maintenance expenses and were charged based on mutually agreed rates.

(iv) The construction expenses represented the costs of construction of toll road and were charged based on mutually agreed rates.

(b) Compensation of key management personnel of the Target Company

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Directors' fees	–	–	–	–	–
Basic salaries and allowances	3,076	3,568	3,475	2,006	1,524
Performance bonuses	266	169	235	194	–
Pension scheme contributions	301	275	484	355	85
Total compensation paid to key management personnel	3,643	4,012	4,194	2,555	1,609

21. Share capital

	Number of shares *'million*	Amount *IDR'million*
Ordinary shares of IDR1,000 each:		
Authorised:		
At 1 January 2019 and 31 December 2019	3,313.66	3,313,664
At 31 December 2020	4,131.56	4,131,564
At 31 December 2021 and 30 June 2022	4,178.66	4,178,664
Issued and fully paid:		
At 1 January 2019	170.33	170,325
Issue of shares *(Note (a))*	3,143.33	3,143,339
At 31 December 2019 and 1 January 2020	3,313.66	3,313,664
Convertible loan *(Note (b))*	770.00	770,000
Issue of shares *(Note (c))*	47.90	47,900
At 31 December 2020 and 1 January 2021	4,131.56	4,131,564
Issue of shares *(Note (d))*	47.10	47,100
At 31 December 2021, 1 January 2022 and 30 June 2022	4,178.66	4,178,664

Notes:

(a) On 2 January 2019, the shareholders of the Target Company agreed to increase the issued shares of 3,143,339,400 shares with par value IDR1,000 (equivalent to IDR3,143,339 million).

(b) Under the convertible loan arrangement as disclosed in note 19(b), on 25 February 2020, 770,000,000 shares were issued with par value IDR1,000 (equivalent to IDR770,000 million).

(c) On 14 April 2020, the shareholders of the Target Company agreed to increase the issued shares of 47,900,000 shares with par value IDR1,000 (equivalent to IDR47,900 million).

(d) On 10 November 2021, the shareholders of the Target Company agreed to increase the issued shares of 47,100,000 shares with par value IDR1,000 (equivalent to IDR47,100 million).

22. Notes to statements of cash flows

(a) Major non-cash transactions

During the Relevant Periods, the Target Company had non-cash additions to intangible assets of IDR2,672,551 million, IDR112,030 million, IDR6,413 million, IDR97,341 million and IDR8,089 million during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively.

(b) Changes in liabilities arising from financing activities

31 December 2019

	Shareholder's loan	Bank borrowings	Lease liabilities	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
At 1 January 2019	382,141	7,778,698	–	8,160,838
Changes from financing cash flows	235,000	1,277,961	(315)	1,512,646
New leases	–	–	1,434	1,434
Interest expense	62,966	6,421	41	69,429
Unamortised cost of loans	–	(21,756)	–	(21,756)
Interest paid classified as operating cash flows	–	–	(41)	(41)
At 31 December 2019	680,107	9,041,324	1,119	9,722,550

31 December 2020

	Shareholder's loan	Bank borrowings	Lease liabilities	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
At 1 January 2020	680,107	9,041,324	1,119	9,722,550
Changes from financing cash flows	394,139	(1,478,724)	(547)	(1,085,132)
New leases	–	–	152	152
Interest expense	85,433	7,668	80	93,181
Unamortised cost of loans	–	(1,484)	–	(1,484)
Interest paid classified as operating cash flows	–	–	(80)	(80)
At 31 December 2020	1,159,679	7,568,784	724	8,729,187

31 December 2021

	Shareholder's loan *IDR'million*	Bank borrowings *IDR'million*	Lease liabilities *IDR'million*	Total *IDR'million*
At 1 January 2021	1,159,679	7,568,784	724	8,729,187
Changes from financing cash flows	(232,371)	62,668	(451)	(170,154)
New leases	–	–	510	510
Interest expense	91,288	74,695	57	166,040
Unamortised cost of loans	–	(38,530)	–	(38,530)
Interest paid classified as operating cash flows	–	–	(57)	(57)
At 31 December 2021	1,018,596	7,667,617	783	8,686,996

30 June 2021

	Shareholder's loan *IDR'million*	Bank borrowings *IDR'million*	Lease liabilities *IDR'million*	Total *IDR'million*
At 1 January 2021	1,159,679	7,568,784	724	8,729,187
Changes from financing cash flows	(109,687)	(26,488)	(207)	(136,381)
New leases	–	–	347	347
Interest expense	45,884	3,769	33	49,686
Interest paid classified as operating cash flows	–	–	(33)	(33)
At 30 June 2021	1,095,876	7,546,065	864	8,642,806

30 June 2022

	Shareholder's loan *IDR'million*	Bank borrowings *IDR'million*	Lease liabilities *IDR'million*	Total *IDR'million*
At 1 January 2022	1,018,596	7,667,617	783	8,686,996
Changes from financing cash flows	(1,058,369)	900,102	(303)	(158,570)
New leases	–	–	554	554
Interest expense	39,773	1,526	32	41,331
Unamortised cost of loans	–	(5,105)	–	(5,105)
Interest paid classified as operating cash flows	–	–	(32)	(32)
At 30 June 2022	–	8,564,140	1,034	8,565,174

(c) Total cash outflows for leases

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Within operating activities	(41)	(80)	(57)	(33)	(32)
Within financing activities	(314)	(549)	(539)	(207)	(303)
	(355)	(629)	(596)	(240)	(335)

23. Contingent liabilities

At the end of each reporting period during the Relevant Periods, the Target Company did not have any significant contingent liabilities.

24. Commitments

As stipulated in the Toll Road Concession Agreement, the Target Company is committed to construct the Ngaliyan interchange with budget of IDR213,313 million.

25. Derivative financial instruments

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million* (Unaudited)	*IDR'million*
Interest rate swap	–	–	–	–	(42,772)

Cash flow hedges

On 17 January 2022, the Target Company entered into an interest rate swap contract which was designated as highly effective hedging instruments in order to manage the Target Company's interest rate exposure in relation to a bank borrowing at fixed rate of 6.75% per annum.

The terms of the derivative instruments have been negotiated to match the terms of the respective designated hedged item. The major terms of these contract are as follows:

As at 30 June 2022

Derivative instruments	Notional amount *IDR'million*	Maturity	Change in fair value used for measuring hedge ineffectiveness for the year *IDR'million*
Interest rate swap	2,953,062	28 December 2024	(42,772)

The hedge ineffectiveness can arise from:

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments
- differences in the timing of cash flows of the forecasted transactions and the hedging instruments

The impact of the hedged items on the financial statements are as follows:

	Total hedging loss recognised in other comprehensive income	Amount reclassified from other comprehensive income to profit or loss	Hedge ineffectiveness recognised in profit or loss	Deferred net loss included in other reserve	Change in fair value used for measuring hedge ineffectiveness for the year
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
As at 30 June 2022					
Interest rate exposure	(42,772)	–	–	(33,363)	(42,772)

No hedge ineffectiveness for interest rate exposure during the period ended 30 June 2022 is recognised in the statement of profit or loss.

26. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period during the Relevant Periods are as follows:

Financial assets

	Loans and receivables			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Financial assets included in government receivables, prepayments, and other receivables	1,125,440	546,996	275,031	235,744
Restricted funds	139,254	78,628	76,325	174,202
Cash and bank balances	25,216	16,057	199,031	164,663
	1,289,910	641,681	550,387	574,609

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Financial liabilities included in trade and other payables and accrued expenses	201,029	82,598	81,811	63,981
Lease liabilities	1,119	724	783	1,034
Bank borrowings	9,041,324	7,568,784	7,667,617	8,564,140
Shareholder's loan	680,107	1,159,679	1,018,596	–
	9,923,579	8,811,785	8,768,807	8,629,155

27. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Target Company's financial instruments reasonably approximate to fair values.

Management of the Target Company has assessed that the fair values of current financial assets and liabilities included in the statements of financial position approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of non-current financial assets and liabilities included in the statements of financial position have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and management of the Target Company has assessed that the fair value of non-current financial assets and liabilities approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

28. Financial risk management objectives and policies

The Target Company's principal financial instruments comprise bank borrowings, shareholder's loan and cash and bank balances. The main of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as government receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Company's transactions are principally conducted in IDR. In the opinion of the directors, the foreign currency risk of the Target Company is not significant.

Interest rate risk

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's cash and bank balances and bank borrowings.

The Target Company's management reviewed the interest rate frequently. When the market interest rate decreases significantly, the Target Company's management will negotiate with the lenders for more favorable interest rate. The Target Company also enter derivative financial instruments to reduce the interest rate exposure. In the opinion of the directors, the interest rate risk of the Target Company is not significant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main credit risk exposure to the Target Company arises from the default or delinquency in payment of other receivables and restricted funds. They are monitored on an ongoing basis. In the opinion of the Target Company Directors, the credit risk is not significant.

With respect to credit risk arising from the other financial assets of the Target Company, which comprise restricted funds, cash and bank balances and financial assets included in government receivables, prepayments and other receivables, the Target Company's exposure to the credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets in the statements of financial position.

31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *IDR'million*	**Stage 2** *IDR'million*	**Stage 3** *IDR'million*	**Simplified approach** *IDR'million*	**Total** *IDR'million*
Financial assets included in government receivables, prepayments and other receivables	2,926	–	–	1,122,514	1,125,440
Restricted funds	139,254	–	–	–	139,254
Cash and bank balances	25,216	–	–	–	25,216
	167,396	–	–	1,122,514	1,289,910

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *IDR'million*	**Stage 2** *IDR'million*	**Stage 3** *IDR'million*	**Simplified approach** *IDR'million*	**Total** *IDR'million*
Financial assets included in government receivables, prepayments and other receivables	7,079	–	–	539,917	546,996
Restricted funds	78,628	–	–	–	78,628
Cash and bank balances	16,057	–	–	–	16,057
	101,764	–	–	539,917	641,681

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *IDR'million*	**Stage 2** *IDR'million*	**Stage 3** *IDR'million*	**Simplified approach** *IDR'million*	**Total** *IDR'million*
Financial assets included in government receivables, prepayments and other receivables	4,583	–	–	270,448	275,031
Restricted funds	76,325	–	–	–	76,325
Cash and bank balances	199,031	–	–	–	199,031
	279,939	–	–	270,448	550,387

30 June 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *IDR'million*	**Stage 2** *IDR'million*	**Stage 3** *IDR'million*	**Simplified approach** *IDR'million*	**Total** *IDR'million*
Financial assets included in government receivables, prepayments and other receivables	12,532	–	–	223,212	235,744
Restricted funds	174,202	–	–	–	174,202
Cash and bank balances	164,663	–	–	–	164,663
	351,397	–	–	223,212	574,609

Liquidity risk

The Target Company's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank borrowings and financing provided by related parties.

The maturity profile of the Target Company's financial liabilities as at the end of each reporting period during the Relevant Periods, based on the contractual undiscounted payments and the earliest date the Target Company could be required to pay, was as follows:

31 December 2019

	On demand and 1 year or less *IDR'million*	In the second year *IDR'million*	3 to 5 years *IDR'million*	More than 5 years *IDR'million*	Total *IDR'million*
Trade and other payables and accrued expenses	198,874	2,155	–	–	201,029
Lease liabilities	591	654	–	–	1,245
Shareholder's loan	428,250	–	–	251,857	680,107
Bank borrowings	1,030,362	647,442	1,477,929	7,866,183	11,021,916
	1,658,077	650,251	1,477,929	8,118,040	11,904,297

31 December 2020

	On demand and 1 year or less *IDR'million*	In the second year *IDR'million*	3 to 5 years *IDR'million*	More than 5 years *IDR'million*	Total *IDR'million*
Trade and other payables and accrued expenses	66,904	15,691	–	–	82,595
Lease liabilities	398	386	–	–	784
Shareholder's loan	649,736	–	–	509,943	1,159,679
Bank borrowings	598,776	1,428,387	3,086,008	6,823,299	11,936,470
	1,315,814	1,444,464	3,086,008	7,333,242	13,179,528

31 December 2021

	On demand and 1 year or less *IDR'million*	In the second year *IDR'million*	3 to 5 years *IDR'million*	More than 5 years *IDR'million*	Total *IDR'million*
Trade and other payables and accrued expenses	50,880	30,930	–	–	81,810
Lease liabilities	490	353	–	–	843
Shareholder's loan	415,270	–	–	603,326	1,018,596
Bank borrowings	564,650	1,314,203	2,915,969	8,455,111	13,249,933
	1,031,290	1,345,486	2,915,969	9,058,437	14,351,182

30 June 2022

	On demand and 1 year or less	In the second year	3 to 5 years	More than 5 years	Total
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*	*IDR'million*
Trade and other payables and accrued expenses	50,679	71	–	–	50,750
Lease liabilities	458	662	–	–	1,120
Shareholder's loan	–	–	–	–	–
Bank borrowings	598,144	1,469,548	3,208,348	9,214,523	14,490,563
	649,281	1,470,281	3,208,348	9,214,523	14,542,433

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Company had total credit facilities of IDR10,966,000 million, IDR10,966,000 million, IDR11,136,000 million and IDR11,136,000 million, respectively, of which IDR1,792,914 million, IDR3,247,828 million, IDR3,391,379 million and IDR2,487,700 million were not utilised, which were committed and could be draw down before expiration.

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

29. Events after the reporting period

On 23 June 2022, JM and PT Jasamarga Transjawa Tollroad ("JTT"), entered into an agreement to transfer 1,846,112,128 shares previously owned by JM to JTT. The transfer was approved by Minister of Law and Human Rights of Indonesia on 1 July 2022. Accordingly, the Target Company's immediate holding company was changed from JM to JTT on 1 July 2022.

On 9 August 2022, Nasrullah was appoint as the chief executive officer of the Target Company and Prajudi resigned on the same day.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2022.

The following management discussion and analysis is based on the financial information included in the accountants' report on the Target Company as set out in Appendix III to this circular.

The Target Company is principally engaged in the operation and management of SB Expressway.

The Target Company is a limited liability company established in the DKI Jakarta Province of Indonesia. Its major assets are the concession rights of SB Expressway.

This appendix summarises the management discussion and analysis of The Target Company for the Reporting Period. The following financial information is principally based on the accountant's report of the Target Company as set out in Appendix III to this circular.

Operating Results

Income from operations

During the Reporting Period, the revenue of Target Company consisted of toll revenue generated from toll road and construction revenue (see the section below titled "Construction revenue" for more details on the nature of construction revenue). The concession right of the SB Expressway will expire in July 2066.

Toll revenue

The following table sets out a breakdown of the Target Company's toll revenue and traffic volume for the Reporting Period indicated:

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021 (unaudited)**	**2022**
Toll revenue *(Note)*	IDR million	670,382	622,738	822,771	368,992	516,661
Traffic volume	Number of vehicles	8,271,586	7,579,035	9,680,408	4,570,522	5,614,253

Note: Excluded cash compensations of IDR636,874 million for the year ended 31 December 2020 and IDR143,126 million for the year ended 31 December 2021 and for the six months ended 30 June 2021 received from the Government of Indonesia in relation to toll rate adjustment in accordance with the amendments of the relevant toll road concession agreement.

The Target Company's toll revenue:

(a) decreased by 7.1% from IDR670,382 million to IDR622,738 million for the years ended 31 December 2019 and 2020 respectively; and

(b) increased by 32.1% from IDR622,738 million to IDR822,771 million for the years ended 31 December 2020 and 2021 respectively.

The decrease in the Target Company's toll revenue for the year ended 31 December 2020 was primarily attributable to the spreading of COVID-19 pandemic ("Pandemic") in which the Government of Indonesia enforced traffic restrictions in almost all over the country, especially in Java Island, where the SB Expressway locates.

The increases in the Target Company's toll revenue for the year ended 31 December 2021 were primarily in line with traffic growth which was started to rebound from traffic volume 7,579,035 units to 9,680,408 units for the years ended 31 December 2020 and 2021, respectively due to relaxation in traffic restrictions, economy recovery and toll rate increment starting from August 2021 for all vehicle types represents increment ranging from 10.0% to 18.2% as compared with the old toll rate.

The increases in the Target Company's toll revenue by 40% from IDR368,992 million to IDR516,661 million for the six months ended 30 June 2021 and 2022, respectively were primarily because of the government-imposed traffic restrictions in Java, Indonesia where the Pandemic remained severe for the six months ended 30 June 2021. The overall satisfying performance for the six months ended 30 June 2022 was mainly by the homecoming and return traffic during Easter holidays, Ramadan and Eid al-Fitr, as the government did not impose strict traffic restrictions this year which led to significant increase in traffic volume. In addition, the successful application for toll rate increment in August 2021 also contributed to increase in toll revenue.

Construction revenue

The construction revenue represents the notional revenue and is recognised in accordance with HK(IFRIC)-Int 12, as such, the fair value of the construction revenue recognised by the Target Company is approximate to the construction costs incurred.

For the years ended 31 December 2019, 2020, 2021 and for the six months ended 30 June 2021 and 2022, the Target Company recorded construction revenue amounted to IDR275,703 million, IDR51,331 million, IDR141,743 million, and IDR110,942 million, and IDR434 million respectively.

Cost of revenue

During the Reporting Period, the Target Company's cost of revenue mainly consisted of operational cost and construction cost. Cost of revenue is primarily consisted of (i) amortisation of the concession rights, categorised as intangible asset; (ii) toll collection expense; (iii) toll services and management expense; (iv) toll repair and maintenance expense; (v) provision for toll road overlay; (vi) property and land tax; and (vii) construction cost. The construction cost primarily represents the notional cost in respect of the construction and upgrading services rendered by the Target Company. The construction costs do not have significant impact to the operating profit or loss because the construction revenue and cost are recognised in accordance with HK(IFRIC)-Int 12, as such, the fair value of the construction revenue recognised by the Target Company is approximate to the construction costs incurred.

Target Company's cost of revenue:

(a) decreased by 37.9% from IDR526,111 million to IDR326,952 million for the years ended 31 December 2019 and 2020 respectively; and

(b) increased by 35.5% from IDR326,952 million to IDR442,980 million for the years ended 31 December 2020 and 2021 respectively.

The decreases in the Target Company's cost of revenue for the year ended 31 December 2020 were primarily in line with the decrease in amortisation of the concession rights categorised as intangible assets driven by the decrease in traffic volume due to the spreading of Pandemic in which the Government of Indonesia enforced traffic restrictions in almost all over the country, especially in Java Island and lower construction cost incurred for the year ended 31 December 2020.

The increases in the Target Company's cost of revenue for the year ended 31 December 2021 were primarily in line with the increase in amortisation of the concession rights categorised intangible assets driven by the increase in traffic volume as the government did not impose strict traffic restrictions this year which led to significant increase in traffic volume and higher construction cost incurred for the year ended 31 December 2021.

The Target Company's cost of revenue decreased by 37.9% from IDR262,686 million to IDR163,157 million for the six months period from 30 June 2021 and 2022, respectively was mainly due to lower construction costs incurred for the six months ended 30 June 2022.

Administrative expenses

During the Reporting Period, the Target Company's administrative expenses mainly consisted of (i) salaries and other staff cost; and (ii) pension scheme contributions.

The Target Company's administrative expenses was gradually decreasing over time. The administrative expenses amounted to IDR21,995 million, IDR17,832 million, and IDR14,374 million for the years ended 31 December 2019, 2020 and 2021, respectively. The decrease was 18.9% and 19.4% for the years ended 31 December 2020 and 2021, respectively which mainly attributable to cost saving measures implemented by the Target Company to reduce staff cost and with less travelling and related costs incurred.

The Target Company's administrative expenses increased by 9.3% from IDR7,234 million to IDR7,905 million for the six months ended 30 June 2021 and 2022 respectively were primarily due to more business travel and accommodation subsequent to the government relaxation in traffic restrictions.

Finance costs

During the Reporting Period, the Target Company's finance cost mainly consisted of (i) syndicated bank loan interest; (ii) amortisation of transaction cost; and (iii) shareholder's loan interest expense.

The Target Company's finance cost:

(a) increased by 19.2% from IDR712,462 million to IDR849,055 million for the years ended 31 December 2019 and 2020 respectively mainly due to the additional drawdown of IDR2,201,699 million at the end of 2019 and the interest expense of the corresponding drawdown was fully reflected in 2020;

(b) decreased by 19.4% from IDR849,055 million to IDR684,110 million for the years ended 31 December 2020 and 2021 mainly because the government compensation received of IDR780,000 million was fully utilised to repay the syndicated bank loan; but partly offset by additional transaction costs incurred in 2021 for refinancing the syndicated bank loan and shareholder's loan; and

(c) remained relatively stable at approximately IDR308,744 million and IDR300,376 million for the six months ended 30 June 2021 and 2022 respectively.

Liquidity, Financial Resources, and Capital Structure

The Target Company financed its operations and working capital requirements primarily through a combination of excess cash of its operational business activities, borrowings and capital injection (if required).

Cash and cash equivalents

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Company had cash and bank balances amounted to IDR25,216 million, IDR16,057 million, IDR199,031 million and IDR164,663 million, respectively. In addition, as at 31 December 2019, 2020, 2021 and 30 June 2022 the Target Company had reserved funds amounting to IDR139,254 million, IDR78,628 million, IDR76,325 million and IDR174,202 million, respectively for the compliance with covenants of syndicated bank borrowings of which was being pledged. All the cash and bank balances and restricted funds held by the Target Company were denominated in IDR.

Borrowings and credit facilities

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Company had total outstanding borrowings of IDR9,721,431 million, IDR8,728,463 million, IDR8,686,213 million, and IDR8,564,140 million respectively. All the outstanding borrowings were denominated in IDR.

The following table sets out a breakdown of the Target Company's borrowings indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	IDR'million	*IDR'million*	*IDR'million*	*IDR'million*
Syndicated bank borrowings	9,041,324	7,568,784	7,667,617	8,564,140
Shareholder's loan	680,107	1,159,679	1,018,596	–
Total	9,721,431	8,728,463	8,686,213	8,564,140

All borrowings from banks were interest bearing at rates ranging from 6.42% to 9.75% per annum as at 31 December 2019, 2020, 2021 and 30 June 2022. The effective interest rates of syndicated bank borrowings during the Reporting period were 8.66% – 9.90%, 7.35% – 9.24%, 6.76% – 7.35%, and 6.82% per annum respectively. Please refer to note 17 to the accountant's report of the Target Company in Appendix III to this circular for the maturity analysis of borrowings.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Company had total credit facilities of IDR10,966,000 million, IDR10,966,000 million, IDR11,136,000 million and IDR11,136,000 million, respectively, of which IDR1,792,914 million, IDR3,247,828 million, IDR3,391,379 million and IDR2,487,700 million were not utilised, which were committed and could be draw down before expiration.

The interest rates on loan from shareholders were current syndicated bank borrowings rate + 2% margin per annum as at 31 December 2019, 2020 and 2021 respectively. Through refinancing of syndicated bank borrowing at the end of 2021, the Target Company has repaid all its shareholder's loan during six months ended 30 June 2022.

Gearing Ratio

Gearing ratio (net debts divided by total capital) of the Target Group was 72.3%, 69.6%, 69.9% and 69.6% as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. Net debts are equal to the Target Group's total borrowings less the Target Group's cash and cash equivalents. Total capital is calculated as the sum of the Target Group's net debts and total equity.

Charge on Assets

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Company had intangible assets amounted to IDR12,438,579 million, IDR12,304,655 million, IDR12,258,146 million, and IDR12,153,428 million, respectively, as securities for the Target Company's bank borrowings.

Foreign Currency and Hedging

The Target Company conducts its business in Indonesia and all of its transactions are denominated in IDR and therefore it does not have any foreign exchange risk exposure.

Contingent Liabilities

As at 31 December 2019, 2020, 2021, and 30 June 2022, the Target Company did not have any material contingent liabilities.

Employee and Remuneration Policies

As at 30 June 2022, the Target Company had approximately 20 employees based in Indonesia, all the employees was dedicated for operation and management of the business. For the years ended 31 December 2019, 2020, 2021, and for the six months ended 30 June 2021 and 2022, the total employment costs (including salary, allowances and retirement benefit costs) of the Target Company were IDR10,268 million, IDR8,756 million, IDR8,188 million, IDR5,023 million and IDR5,324 million, respectively.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

As at 31 December 2019, 2020, 2021, and 30 June 2022, the Target Company did not have any material acquisitions and disposals of subsidiaries, associates, and joint ventures.

Significant Investments

During the Reporting Period, the Target Company did not have any significant investments.

Future Plan for Material Investments or Capital Assets

As at 30 June 2022, the Target Company is required under the concession agreement to construct the Ngaliyan interchange with budget of approximate IDR213,313 million. The construction is expected to commence in the first half of 2023 and it will be financed by bank credit facility, the Target Company's working capital and/or shareholder loan if required.

Set out below are the texts of the report received from WB Group International Limited, an independent traffic consultant, in connection with traffic study on Semarang Batang Expressway in Indonesia for inclusion in this circular.

WB Group International Limited,
Unit 2003, 20/F, Tower 5,
China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong
P. R. China

27 September 2022

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

Dear Sirs,

SEMARANG BATANG EXPRESSWAY IN CENTRAL JAVA PROVINCE IN INDONESIA

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 Semarang Batang Expressway ("SB Expressway") in Central Java Province in Indonesia.

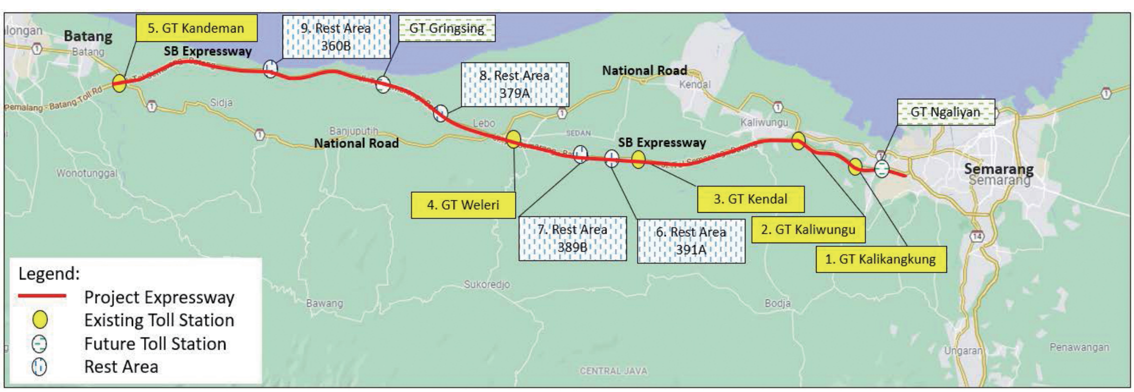
All reasonable and professional skills, judgement, care and due diligence have been exercised in preparing the Traffic and Toll Revenue Forecasting Study. A summary of the findings of this report is set out below:

1 Introduction

SB Expressway is the component of the Trans Java Expressway, which is a tolled expressway network running from Merak, northwestern end of Java to Banyuwangi (in which section Problinggo – Banyuwangi is being constructed), the eastern end of the island in Indonesia. SB Expressway forms a strategic part of the expressway network around Semarang, connecting various areas with rich industrial and cultural resources along the way. Connected to Semarang city ring road in the east and Pemalang – Batang Expressway in the west, SB Expressway is an essential part of Tran Java Expressway.

SB Expressway is a closed system expressway with a total length of 75 kilometer. Its four lane carriageways are two-way, and has a maximum speed of 100 kilometer per hour. SB Expressway opened to public on 14th December 2018 and started to charge on 14th January 2019. The location of SB Expressway is shown on Figure 1-1.

Figure 1-1 Location of SB Expressway



Source: Consultant, 2022

2 Study Approach

The study approach and work steps are summarized below:

Step 1: Mobilization and Data Collection – The Consultant has collected relevant traffic/revenue information of SB Expressway, including economic growth patterns, transport development plans, and forecasts of future development projects in the vicinity areas of the study corridors.

Step 2: Existing Year Traffic Conditions – Based on the traffic and revenue information collected, the current economic and development activities along the SB Expressway have been summarized. The Consultant has also analyzed the yearly traffic flow pattern of expressway to determine the base year annual average daily traffic volumes, value of time and operation costs of the SB Expressway.

Step 3: Road Network Development in Traffic Forecasting Model – This task has included the development of a computer simulation model to replicate the existing traffic conditions along the SB Expressway. The computer model simulation software EMME/3 was used to develop the road network and to calibrate the simulation model. The Consultant has retrieved highway infrastructure planning and implementation programs in the vicinity of SB Expressway in order 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 the existing and future community and economic development trends in the study corridors as well as the Project vicinity cities, the Consultant has carried out detailed analyses on the latest community/economic information released by the 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 dictated the accuracy of the coefficients.

Step 5: Traffic Forecasting Model Development – The results of Steps 2-4 have been formulated the basis for the development of a computer traffic forecasting model. The remaining works were to establish and to calibrate the conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic distribution and assignment models were further refined to represent future network conditions as described in Step 3.

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

3 Historical Traffic and Revenue Data Collection and Analysis

SB Expressway was in operation since 14th December 2018 and started to charge in 14th January 2019. The Consultant has collected and analyzed the historical traffic (January 2019 to August 2022) and revenue (January 2019 to August 2022) data.

In order to have a better understanding of the existing traffic levels, travel directions and the traffic compositions on the SB Expressway, the Consultant undertook the 24-hour traffic surveys at and in the vicinity of SB Expressway on 9th March 2022, including Origin-Destination Survey (O-D Survey) and in-out classified traffic count surveys at toll stations on SB Expressway as well as classified section flow of traffic count surveys on SB Expressway and nearby National Road. The data was analyzed and used in the traffic model development.

4 Basic Approach and Key Assumptions

To enable reliable forecasting of future traffic on, and revenue projection for, the SB 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 2022 to 21st July 2066
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 Indonesia, 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 SB Expressway.
5.	Road and Rail Network Assumptions:	In the base year road network development process, the Consultant made use of the existing Indonesian 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 SB 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 SB Expressway due to the opening of new expressways are summarised in Table 4-1.

Figure 4-1 Location of New Expressways

Source: Consultant, 2022

Note: 1. Semarang-Demak Expressway; 2. Solo-Yogyakarta-YIA Kulon Progo Expressway; 3. Yogyakarta Bawen Expressway; 4. Cileunyi-Sumedang-Dawuan (Cisumdawu) Expressway; 5. Gedebage-Tasikmalaya-Cilacap (Getaci) Expressway.

Table 4-1 The Anticipated Traffic Impacts of New Expressways

Opening Year	Highway Name	Traffic Impact on SB Expressway
Late 2022	Semarang–Demak Expressway (Section 2) and Cileunyi-Sumedang-Dawuan (Cisumdawu) Expressway	traffic attraction
Late 2023	Solo-Yogyakarta-YIA Kulon Progo Expressway Section 1 and Yogyakarta Bawen Expressway Section 1	traffic attraction
Late 2024	Semarang-Demak Expressway (Section 1)	traffic attraction
Mid 2025	Solo-Yogyakarta-YIA Kulon Progo Expressway (remaining sections)	traffic attraction
Late 2025	Yogyakarta Bawen Expressway (remaining sections)	traffic attraction
Late 2029	Gedebage-Tasikmalaya-Cilacap (Getaci) Expressway	traffic diversion

Source: Consultant, 2022

Similar to the road network development process, the Consultant has taken into account the possible impact from existing and future rail development and its impact on the project expressway is insignificant.

6. Toll Rates: The existing toll charges in IDR per kilometer effective on 19th August 2021 is summarized in Table 4-2.

Table 4-2 SB Expressway Toll Charges (IDR/km)

Veh Type	Toll Charge (IDR/km)
Class 1	1,150
Class 2	1,725
Class 3	1,725
Class 4	2,300
Class 5	2,300

Source : PT Jasa Marga Semarang Batang (JSB), 2022

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 SB 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 2022 and 21st July 2066 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, Optimistic case, and 2 additional Sensitivity Tests related to tariff adjustment.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	1. Normal socio-economic growth projection based on socio-economic-traffic forecasting model.
	2. Frequency of tariff adjustment: next adjustment on 1st May 2023 and on 1st May every 2 years afterwards.
	3. Special tariff adjustment: +15% on 1st May 2023, and +15% on 1st May 2025 plus additional compensation +Rp 24/km for Class 1, +36Rp/km for Class 2/3 and +48Rp/km for Class 4/5 after aforesaid special adjustment, and +15% on 1st May 2027.
	4. Normal tariff adjustment: +6% every 2 years afterwards until 2066.
	5. Road Capacity: The base capacity of the Expressway is 2,300 pcu/hr/lane (Indonesian Highway Capacity Manual).
	6. Capacity Expansion: To start expansion from 2x2 lanes to 2x3 lanes when volume to capacity ("V/C") ratio of a road section reaches 0.8 per Indonesian standard.
	7. Opening of New Expressways: Refer to Table 4-1.

Test Option	Contents
	8. Opening of Batang Industrial Park in early 2023.
	9. Opening of Batang Integrated Industrial Estate ("KIT Batang"; also known as "Grand Batang City") and Gringsing station in early 2024.
	10. Opening of Ngaliyan on/off ramps in mid-2024.
	11. Traffic recovery from pandemic in 2022 and normal traffic growth starting from 2023.
	12. The end of concession period is 21st July 2066.
(2) Conservative Case	Based on the Base Case, but with the socio-economic growth assumptions based on socio-economic-traffic forecasting model decreased by 10% and smaller scale development in KIT Batang.
(3) Optimistic Case	Based on the Base Case, but with the socio-economic growth assumptions based on socio-economic-traffic forecasting model increased by 10%.
(4) Sensitivity Test 1	Based on Base Case, special tariff adjustment: +15% on 1st May 2023, +20% on 1st May 2025 and +15% on 1st May 2027.
(5) Sensitivity Test 2	Based on Base Case, special tariff adjustment: +15% on 1st May 2023, and +15% on 1st May 2025.

Source: Consultant, 2022

5.1 Traffic and Revenue Forecast Results (Base Case, Conservative case, Optimistic case and Sensitivity Tests 1-2)

Based on the above considerations, the weighted average daily section traffic flows and toll revenue forecasts of SB Expressway are shown in Tables 5-2 and Table 5-3 respectively. Years of Volume/Capacity (V/C) ratio of road section reaching 0.8 are shown in Table 5-4. 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 Annual Weighted Average Daily Section Traffic on SB Expressway (Vehicles/Day)

Year	Weighted Average Daily Section Traffic (Vehicle/Day)				
	Base Case	Conservative Case	Optimistic Case	Sensitivity Test 1	Sensitivity Test 2
2022	29,132	29,041	29,222	29,132	29,132
2023	31,810	31,608	32,012	31,810	31,810
2024	35,222	34,892	35,554	35,222	35,222
2025	38,701	38,117	39,316	38,253	38,701
2026	42,213	41,243	43,306	41,483	42,213
2027	44,943	43,798	46,222	44,176	45,899
2028	48,170	46,835	49,656	47,357	49,720
2029	52,052	50,500	53,773	51,184	53,707
2030	55,506	53,742	57,455	54,591	57,251
2031	59,689	57,682	61,901	58,715	61,545
2036	82,963	79,532	86,701	81,674	85,406
2041	110,017	104,605	115,788	108,235	113,182
2046	141,277	133,676	149,298	139,086	145,160
2051	158,702	157,033	159,033	158,543	158,946
2056	158,702	158,775	159,033	158,543	158,946
2061	158,702	158,775	159,033	158,543	158,946
2066	158,702	158,775	159,033	158,543	158,946

Source：Consultant, 2022

Table 5-3 Annual Revenue Forecasts on SB Expressway (Billion IDR)

Year	Annual Revenue (Billion IDR)[1]				
	Base Case	Conservative Case	Optimistic Case	Sensitivity Test 1	Sensitivity Test 2
2022	1,022	1,019	1,025	1,022	1,022
2023	1,230	1,223	1,238	1,230	1,230
2024	1,436	1,422	1,449	1,436	1,436
2025	1,758	1,732	1,786	1,790	1,758
2026	2,021	1,975	2,073	2,072	2,021
2027	2,377	2,317	2,444	2,437	2,294
2028	2,678	2,605	2,759	2,747	2,547
2029	3,011	2,923	3,109	3,089	2,862
2030	3,285	3,182	3,398	3,370	3,121
2031	3,683	3,562	3,817	3,780	3,499
2036	5,933	5,693	6,193	6,094	5,624
2041	9,212	8,769	9,683	9,456	8,726
2046	13,588	12,874	14,340	13,960	12,855
2051	17,869	17,677	17,880	18,629	16,478
2056	20,515	20,517	20,527	21,387	18,917
2061	23,913	23,916	23,927	24,929	22,051
2066	15,152	15,154	15,161	15,796	13,972
Total (2022-2066)	554,370	545,450	562,617	575,035	516,015

Source: Consultant, 2022

Note:

(1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices.

Table 5-4 Year of Road Sections V/C Reaching 0.8

Road Sections	Year of V/C Reaching 0.8				
	Base Case	Conservative Case	Optimistic Case	Sensitivity Test 1	Sensitivity Test 2
Batang-Kandeman	2037	2038	2037	2038	2037
Kandeman-Gringsing	2036	2037	2036	2037	2036
Gringsing-Weleri	2037	2038	2036	2037	2036
Weleri-Kendal	2038	2039	2037	2038	2038
Kendal-Kaliwungu	2038	2039	2038	2039	2038
Kaliwungu-Ngaliyan	2036	2037	2036	2037	2036
Ngaliyan-Krapyak	2036	2037	2035	2036	2035

Source：Consultant, 2022

6 Conclusion

This Study carried out future traffic volume and revenue forecasting for SB Expressway from 2022 to 21st July, 2066. Based on collected information, the professional capability and past relevant experience of the Consultant, the major Study results are summarized as follows:

1） From 2022 to 21st July, 2066, the weighted average daily section traffic volume on SB Expressway would increase from 29,132 vehicles/day to 158,702 vehicles/day, with an average annual growth rate of 3.9%.

2） The daily revenue on SB Expressway would increase from IDR2,799 million in 2022 to IDR75,008 million in 2066. From 1st January 2022 to 21st July 2066, with an average annual growth rate of 7.8%. SB Expressway traffic would generate a total revenue of IDR554,370 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
Project Director
For and on behalf of
WB Group International Limited

Mr. Leung is a chartered professional planner and engineer with over 20 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, the PRC, Vietnam, South Korea and Indonesia.

The following is the text of a letter, prepared for inclusion in this circular, received from RHL Appraisal Limited in connection with the valuation on the Sale Shares.

RHL International 永利行

Ref. No.: BV/O/O/7401/22
Date: 14 November 2022

The Board of Directors
Road King Infrastructure Limited
5th Floor, Tower 6,
The Gateway,
No. 9 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

Dear Sirs/Madams,

Re: Business Valuation of 39.77% Equity Interest of PT Jasamarga Semarang Batang as at 31 August 2022

In accordance with the instructions of Road King Expressway International Holdings Limited (the "Client"), a subsidiary of Road King Infrastructure Limited, we RHL Appraisal Limited ("RHL") have undertaken a valuation to determine the fair value of 39.77% equity interest (the "Interest") of PT Jasamarga Semarang Batang (the "Target Company") as at 31 August 2022 (the "Valuation Date") regarding the proposed acquisition 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

PT Jasamarga Semarang Batang is a limited liability company duly established under the laws of the Republic of Indonesia on 21 April 2016. The Target Company was granted PPJT Semarang-Batang or concession agreement on 27 April 2016 to invest, operate and manage Semarang Batang ("SB") Expressway in Central Java Province in Indonesia. The concession period of SB Expressway is 50 years ended on 21 July 2066.

SB Expressway is a dual-2 toll expressway with 75km in length. It has been operated since 14 December 2018 and started to charge and collect toll fees on 14 January 2019. SB Expressway is the component of the Trans Java Expressways, which is a tolled expressway network running from Merak, northwestern end of Java to Banyuwangi (in which section Problinggo – Banyuwangi is being constructed), the eastern end of the island in Indonesia. SB Expressway forms an important part of Trans Java Expressway serving Semarang (capital city of Central Java), Jenderal Ahmad Yani Airport, Port of Tanjung Emas, large-scaled Industrial Estates and some prosperous cities in Central Java.

On 27 September 2022 and 26 October 2022, Kings Bless Limited (the "Buyer"), a wholly owned subsidiary of the Client, entered into the conditional sale and purchase of shares agreement, and amended and restated conditional sale and purchase of shares agreement respectively with PT Waskita Toll Road (the "Seller"), pursuant to which the Buyer has conditionally agreed to purchase, and the Seller have conditionally agreed to sell, the 39.77% equity interest in the Target Company. The consideration payable by the Buyer is IDR3,823.40 billion.

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 acquisition of 39.77% of 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 Indonesia

Indonesia is the largest economy in Southeast Asia and is the 16th largest economy is the world with a nominal gross domestic product (GDP) of USD 1.19 trillion in 2021. Indonesia's economy continued to recover from the COVID-19 pandemic amid deteriorating global conditions. GDP growth rebounded to 3.7% in 2021 after a 2.1% contraction in 2020 on the back of strong exports and public consumptions. The rebound was stronger than most peers in East Asia and the Pacific, with output surpassing pre- pandemic levels[1]

Rising price of key commodities, such as coal and palm oil, coupled with recovering global demand, have kept Indonesia's export solid at 35.9% yoy in the 1st quarter of 2022.

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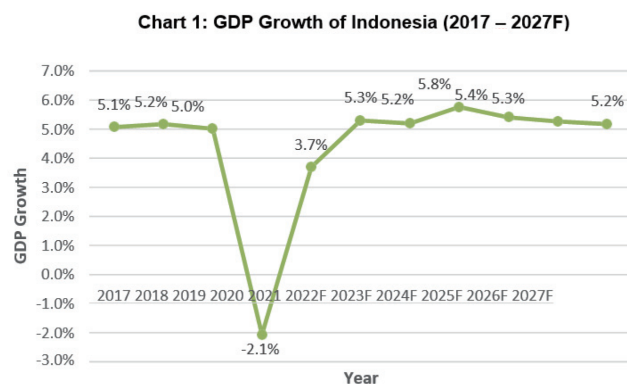
1 Indonesia Economic Prospects – June 2022, the World Bank

Exports made the largest contribution to GDP growth (4.7 percentage point in 2021). On the supply side, almost all sectors have returned to pre-pandemic levels with manufacturing, construction, wholesale and retail trade and telecom contributed to more than 60% of GDP growth in 2021. Mining and health were the fastest growing sectors in 2021 that contributed 9.0 and 1.3% to total GDP respectively, benefitting from strong commodity prices, related expansion in mining production and government spending on vaccination and hospital services[1]

In view of the ongoing recovery, the IMF – World Economic Outlook forecasted 5.3% GDP growth in 2022 and maintain above 5% GDP growth between 2023 and 2027[2].



Sources: Thomson Reuters Eikno; IMF – World Economic Outlook

Economic Overview of Central Java Province

Central java is a province of Indonesia, located in the middle of the island of Java. Its administrative capital is Semarang. Central Java is the third-most populous province in Indonesia according to census 2022, with population of around 36.7 million. Its GDP growth was 3.3% and ranked 4th in Indonesia.

Car ownership in Central Java Province also experienced strong rebound with 22.1% growth in 2021 after the weak performance in 2020 due to the pandemic, surpassed 20 million vehicles.

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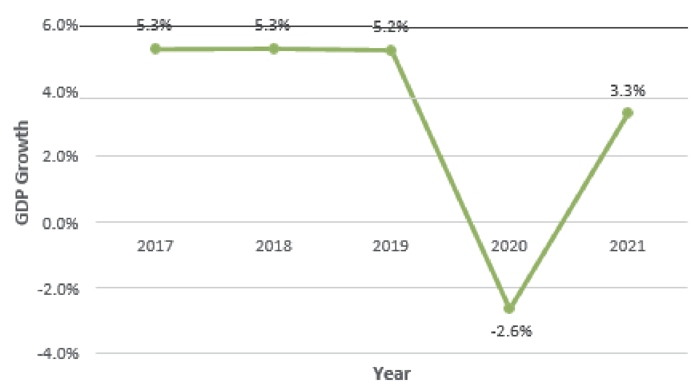
1 Indonesia Economic Prospects – June 2022, the World Bank

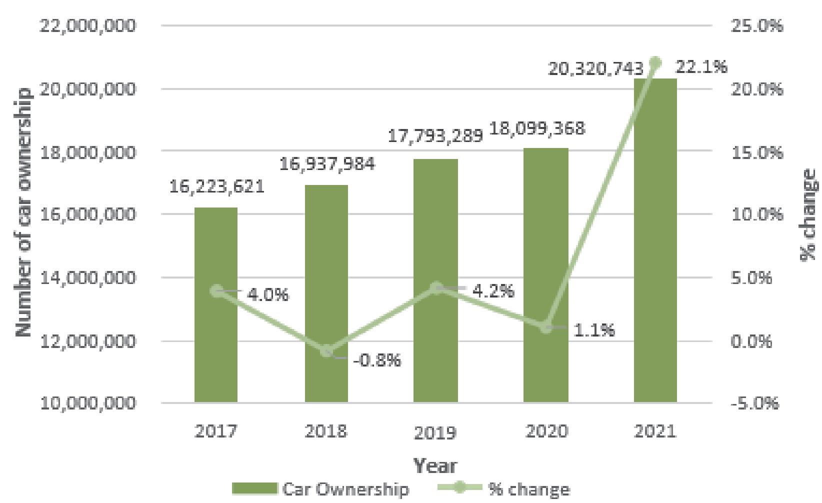
2 Thomson Reuters Eikon, IMF – World Economic Outlook.

Chart 2: GDP Growth of Central Java Province (2017 – 2021)



Sources: BPS – Statistics Indonesia (2017 - 2021)

Chart 3: Car Ownership in Central Java Province (2017 – 2021)



Sources: BPS – Statistics Indonesia (2017 - 2021)

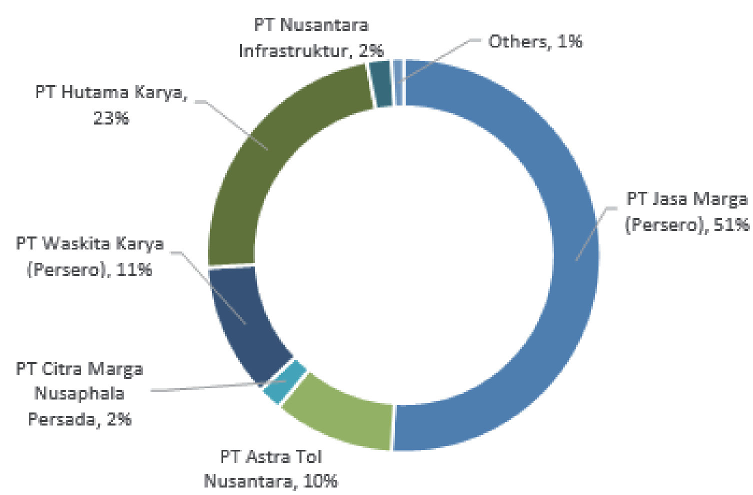
Industry Overview

History of toll roads in Indonesia began in 1987 with the first toll road, Jagorawi with length of 59km, which connects Jakarta, Bogor, and Ciawi. Starting in 1987, private investment began to participate in the investment in development and management of expressway as toll road operators form partnership with PT Jasa Marga (Persero) Tbk, an Indonesian state owned company. According to Badan Pengatur Jalan Tol (Indonesia Toll Road Authority), total operating mileage of toll road in Indonesia is 2,494km as at 25 February 2022[3]. Trans Java Expressway, which SB Expressway is part of the expressway network, is the longest toll road network in terms of operating mileage, accounted for 42% of the total operating mileage in Indonesia.

[3] Data Jalan Tol Operasi, Bidang Operasi dan Pemeliharaan, Sekretariat BPJT, 25 February 2022

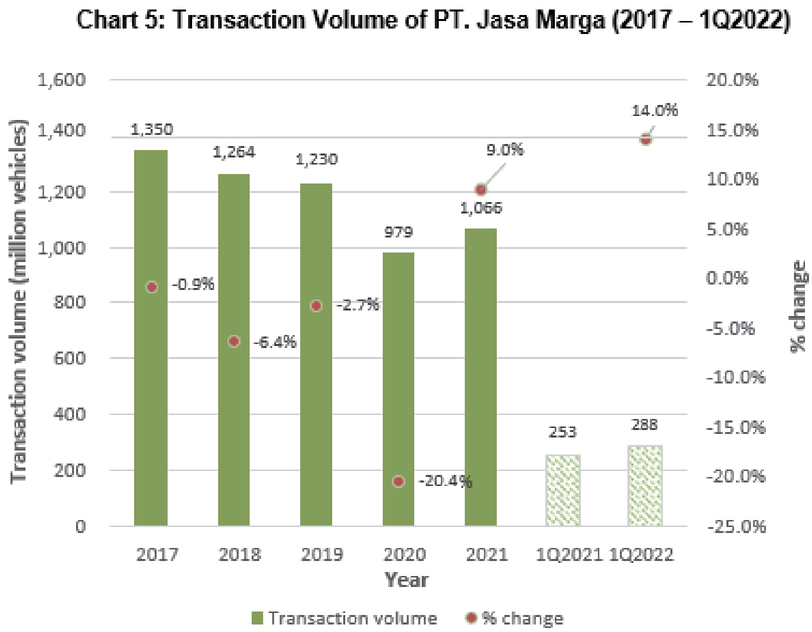
The largest player in the Indonesian toll road industry is PT Jasa Marga (Persero) Tbk with accumulated toll road in operation of around 1,260 km as at 31 March 2022, accounted for 51% market share in the industry in term of operating mileage. The 5-year CAGR of traffic volume of toll roads operated by PT Jasa Marga (Persero) Tbk was – 4.8% between 2016 and 2021[4]. It experienced strong rebound from COVID-19 pandemic in 1Q2022 and recorded 14% yoy traffic volume growth.

Chart 4: Market Share of Indonesian Toll Road Operator by Operating Mileage as of 31 March 2022



Sources: Jasa Marga Update 1Q2022

4 Jasa Marga Update 1Q2022, PT Jasa Marga (Persero) Tbk



Source: Jasa Marga Update 1Q2022

As stated in the road law in Indonesia, toll road tariff will adjusted every 2 years based on accumulated regional inflation.

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 Kings Bless Limited and PT Waskita Toll Road dated 27 September 2022 provided by the Management;
- Copy of amended and restated conditional sale and purchase of shares agreement between Kings Bless Limited and PT Waskita Toll Road dated 26 October 2022 provided by the Management;
- Copy of audited financial statements of the Target Company for the year ended 31 December 2019, 2020, and 2021 provided by the Management;
- Copy of unaudited financial statements of the Target Company for the eight months period ended 31 August 2022 provided by the Management;
- Copy of Traffic and Revenue Forecasting Study (the "Traffic Report") on SB Expressway, Indonesia by WB Group International Limited (the "Traffic Consultant") dated 27 September 2022;

- Copy of financial projections (the "Projections") of the Target Company for the period between 1 January 2022 and 21 July 2066 provided by the Management;

- Background information of the Target Company provided by the Management;

- Discussions with and representations made by the Management;

- Thomson Reuters Eikon;

- 2021 Discount for Lack of Marketability Study published by Munroe, Park & Johnson, Inc.

- Mergerstat Control Premium Study (4th Quarter 2021) published by FactSet Mergerstat, LLC.;

- CRSP Deciles Study 2021;

- Country and Equity Risk Premiums dated 1 January 2022 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 holds only one toll road concession right, SB Expressway, while the comparable companies hold a portfolio of toll road concession rights with length and expiry dates of concession rights that are different to the Target Company's. Income approach is able to take into account of the future economic prospect of the Target Company reflected in the financial projections 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 projections of the Target Company could be estimated on the basis of economy and industry outlook, historical financial and operation results.

Projections

Projections for the period between 1 January 2022 and 21 July 2066 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 Projections as below:

Revenue:

The projected revenue is the toll revenue generated from the toll charges imposed on vehicles using SB Expressway.

Overall traffic flow and revenue forecasting study was conducted by the Traffic Consultant through a series of technical task, including data collection, base year traffic analyses, traffic modeling, socio-economic assessments and traffic/revenue analysis. The Traffic Consultant has developed a comprehensive economic and traffic forecasting model that enable reliable forecasting of future traffic and revenue information on SB Expressway. This model has two major correlated components as below:

- An economic forecasting model which drives the derivation of traffic growth pattern for the future;
- A traffic forecasting model to calibrate base year conditions, to adopt reasonable traffic growth assumptions and to predict traffic distribution and assignment patterns on the expressway network.

Toll revenue forecast of Base Case in the Traffic Report was adopted in the Projections. Key descriptions of Base Case are as follows:

- Normal socio-economic growth projection based on socio-economic-traffic forecasting model;
- Frequency of traffic adjustment: next adjustment on 1 May 2023 and on 1 May every two years afterwards;
- Special tariff adjustment: +15% on 1 May 2023, and +15% on 1 May 2025 plus additional compensation +IDR 24/km for Class 1, +IDR 36/km for Class 2 and 3, +IDR 48/km for Class 4 and 5 after aforesaid special adjustment, and +15% on 1 May 2027;
- Normal tariff adjustment: +6% every two years during 2027-2066;
- Road capacity: The base capacity of SB Expressway is 2,300 pcu/hr/lane;
- Capacity Expansion: To start expansion from 2x2 lanes to 2x3 lanes when volume-to-capacity ratio of a road section reaches 0.8 per Indonesian standard;

- Opening of new expressways as below:

Opening Year	**Highway Name**	**Traffic Impact on SB Expressway**
Late 2022	Semarang-Demak Expressway (Section 2) and Cileunyi-Sumedang-Dawuan (Cisumdawu) Expressway	Traffic attraction
Late 2023	Solo-Yogyakarta-YIA Kulon Progo Expressway Section and Yogyakarta Bawen Expressway Section 1	Traffic attraction
Late 2024	Semarang-Demak Expressway (Section 1)	Traffic attraction
Mid 2025	Solo-Yogyakarta-YIA Kulon Progo Expressway (remaining sections)	Traffic attraction
Late 2025	Yogyakarta Bawen Expressway (remaining sections)	Traffic attraction
Late 2029	Gedebage-Tasikmalaya-Cilacap (Getaci) Expressway	Traffic diversion

- Opening of Batang Industrial Park in early 2023;
- Opening of Batang Integrated Industrial Estate ("KIT Batang"; also known as "Grand Batang City") and Gringsing station in early 2024;
- Opening of Ngaliyan on/off ramps in mid 2024;
- Traffic recovery from pandemic in 2022 and normal traffic growth starting from 2023;
- The end of concession period is 21 July 2066

Cost of Revenue:

Cost of Revenue includes repair and maintenance cost, toll collection expenses, provision of overlay, depreciation and amortization expense. The Management expected EBITDA margin will gradually expand from 88% in 2022 to 98.6% in 2065. As at 31 August 2022, the EBITDA margin was 87.0%.

General and Administrative (the "G&A") Expenses:

General and administrative expenses are all other expenses, excluding cost of sales and financial charges are classified as general and administrative expenses. The Management assumed 18% increase in G&A expenses in 2022 and 4% p.a. afterwards.

Capital Expenditure:

As advised by the Management, capital expenditure comprises of maintenance capex, expansion capex, and overlay capex for maintenance. Maintenance capex will be disbursed each year for maintenance of toll roads that ranges from IDR10 billion to IDR41 billion depends on the maintenance schedule and budget by the Management. Expansion capex is allocated for Ngaliyan on/off ramps in 2023 and 2x3 lanes expansion project in 2036-2039. Overlay capex for maintenance includes slab reconstruction that will be allocated every 3 years.

Net Working Capital:

The Management estimated the net working capital based on the Target Company's historical average (from 1 January 2019 to 31 August 2022) of turnover days of other receivables, prepaid expenses, account payables, and accrued expenses

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:

Ke	**=**	**Rf + βeg × ERP + SP + CSR**
where Ke	=	return of geared equity
Rf	=	risk free return
βeg	=	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	**=**	**Ke × We + Kd × (1 – T) × Wd**
where Ke	=	cost of equity
Kd	=	cost of debt
We	=	percentage of equity to total capital
Wd	=	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 Jakarta 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 Indonesia; 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) PT Citra Marga Nusaphala Persada Tbk (Reuters stock code: CMNP.JK)

PT Citra Marga Nusaphala Persada Tbk is an Indonesia-based company primarily engaged in coordinating and implementing toll road projects, including planning, construction, operation and maintenance of toll roads. The company's business activities comprise the operation of toll road projects, investment, and provision of other toll road support services in accordance with prevailing regulations, and development and operation of businesses in other areas related to toll road operations. The company's subsidiaries include PT Citra Margatama Surabaya (CMS), PT Citra Waspphutowa (CW), PT Citra Persada Infrastruktur (CPI), PT Citra Marga Nusantara Propertindo (CMNPro), PT Citra Marga Lintas Jabar (CMLJ), PT Elevasi Teknologi Indonesia (ETI), PT Citra Karya Jabar Tol (CKJT) and PT Girder Indonesia (GI).

(b) PT Jasa Marga (Persero) Tbk (Reuters stock code: JSMR.JK)

PT Jasa Marga (Persero) Tbk is an Indonesian-based company primarily engaged in the business of management, maintenance and development of toll roads. The company's main business activities include conducting technical planning for construction, operation and/or maintenance of toll road; organizes the land in toll road area (Rumijatol) and the land along the Rumijatol designated for vehicle rest area and service including the facilities and other businesses operating there either separately or in cooperation with other parties, and other activities. Its segments include Tollroad Business, Operation, Maintenance, Related business and Other. Its toll road services include transaction, traffic, and road construction services. The company operates approximately 13 toll roads, which are managed by its three regions, such as Regional Jasamarga Metropolitan Tollroad (RJMT), Regional Jasamarga Transjawa Tollroad (RJTT) and Regional Jasamarga Nusantara Tollroad (RJNT).

(c) PT Nusantara Infrastructure Tbk (Reuters stock code: META.JK)

PT Nusantara Infrastructure Tbk is an Indonesia-based integrated infrastructure company. The company is focused on transportation infrastructure and utility infrastructure, consisting of four main sectors, such as toll road management, ports, drinking water management and renewable energy. It operates its toll road management business, through its subsidiary, PT Margautama Nusantara, which include operation and/or maintenance of toll roads as well as operation of land in the toll road space (toll road's RUMIJA) and land adjacent to the toll road's RUMIJA for rest area and services, along with other facilities and businesses. It conducts its clean water management business through its subsidiary, PT Potum Mundi Infranusantara, which consists of clean water management and clean water distribution for industry and households through Local Government Owned Water Utilities Companies (PDAMs). It manages 2x7.5 megawatt (MW) hydropower construction project, through PT Inpola Meka Energi.

Taking account of the above, we suggested an appropriate weighted average cost of capital was determined at 12.40% 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, a 5-year average discount for lack of marketability of 27.34% was applied in the valuation of equity value of the Target Company based on the 2021 Discount for Lack of Marketability Study published by Munroe, Park & Johnson, Inc.

Discount for lack of control

Discount for lack of control is normally applied to valuation of non-controlling interest of a company. Discount for lack of control is the amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control. Having control of a company involves the ability to: appoint management, set management compensation, determine strategy and policies, acquire or sell assets, acquire other companies, liquidate or recapitalize the company, buy or sell treasury stock, declare and pay dividends, and amend articles of incorporation and bylaws. As such, non-controlling interests are worth less than a controlling interest because they do not have these abilities.

Taking account of the above, a discount for lack of control of 22.39% as at the Valuation Date is applied in the valuation of the Interest based on 10-year average of minority discount from Mergerstat Control Premium Study.

Calculation

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

Fair value of 39.77% equity interest in PT Jasamarga Semarang Batang

(in Indonsesian Rupoah, billion)			Value
(1)	Net present value		25,927
(2)	*Add:* Cash & cash equivalents		168
(3)	Restricted Funds		102
(4)	*Less:* Bank loan matures in 1 year		37
(5)	Long-term bank loan		8,432
(6)	Deferred tax		423
(7)	Derivative liability		6
(8)	Equity value before DLOM	= (1)+(2)+(3)–(4)–(5)–(6)–(7)	17,299
(9)	DLOM	= (8)x27.34%	4,730
(10)	Equity value after DLOM	= (8)–(9)	12,569
(11)	39.77% equity value after DLOM	= (10)x39.77%	4,999
(12)	Minority interest	= (11)x22.39%	1,119
(13)	39.77% equity value after DLOM & minority discount	= (11)–(12)	3,880

* *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. 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.

2. 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 Projections, 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.

3. We are given the Projections. We are confirmed by the Management that the Projections 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.

4. 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.

5. There will be no material changes in inflation and interest rates from those prevailing as at the Valuation Date.

6. The availability of finance will not materially constrain the forecasted growth of the Target Company.

7. The Target Company will be able to procure and retain competent key personnel and operating staffs.

8. Risk-free rate (Rf): The risk-free rate was estimated to be 7.32%, based on the mid-yield of 30-year Indonesian government's benchmark rates as at the Valuation Date.

9. Geared equity beta (βeg): The average geared equity beta of comparable companies of the Target Company as at the Valuation Date, 0.82, was taken as the beta for the Target Company.

10. Size premium (SP): Size premium of 1.46% was estimated with reference to CRSP Deciles Study 2021.

11. 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 5.74% was added based on our internal assessment.

12. Cost of equity (Ke): The cost of equity as at the Valuation Date per calculation by adjusted CAPM, 19.56%, was estimated.

13. Cost of debt (Kd): Pre-tax cost of debt was estimated to be 6.75% as advised by the Management. After-tax cost of debt of 5.27% was used.

14. Percentage of equity to total capital (We): The percentage of equity to total capital, calculated by average debt-to-equity ratio of the comparable companies of the Target Company, 50.10%, was taken for the Target Company.

15. Percentage of debt to total capital (Wd): The percentage of debt to total capital, calculated by average debt-to-equity ratio of the comparable companies of the Target Company, 49.90%, was taken for the Target Company.

16. Tax rate (T): Advised by the Management, income tax rate of 22% was adopted.

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.

Risks related to epidemics

The business and operation of the Target Company may be adversely affected or disrupted by epidemics, including COVID-19, and respective government's policies and measures to tackle epidemics. The duration and scale of such epidemic cannot be predicted or controlled by the Target Company and hence it may have significant and adverse impact on the Target Company's business operations and the Projections.

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 **INDONESIAN RUPIAH** THREE TRILLION EIGHT HUNDRED EIGHTY BILLION ONLY (IDR3,880,000,000,000).

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

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
- Toll revenue growth
- Cost of sales growth

Table 1 shows the impact on the valuation of the Interest by varying the discount rate and the toll revenue growth using the Base Case scenario:

Table 1 (in IDR billion)		**Discount Rate**	
Toll revenue growth	**11.90%**	**12.40%**	**12.90%**
Base Scenario – 5%	3,893	3,472	3,094
Base Scenario	4,332	3,880	3,474
Base Scenario + 5%	4,770	4,287	3,854

Table 2 shows the impact on the valuation of the Interest by varying the discount rate and the cost of sales growth using the Base Case scenario:

Table 2 (in IDR billion)		**Discount Rate**	
Cost of sales growth	**11.90%**	**12.40%**	**12.90%**
Base Scenario – 5%	4,373	3,919	3,512
Base Scenario	4,332	3,880	3,474
Base Scenario + 5%	4,290	3,840	3,437

1. LETTER FROM THE BOARD IN RELATION TO THE VALUATION REPORT ON THE SALE SHARES

14 November 2022

The Listing Division
Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs,

Major Transaction – Acquisition of 39.77% Equity Interests in an Indonesian Company which operates the SB Expressway

We refer to the valuation report dated 14 November 2022 prepared by RHL Appraisal Limited (the "Valuer") in relation to the valuation of 39.77% equity interests in PT Jasamarga Semarang Batang as at 31 August 2022 (the "Valuation"). The Valuation, which is prepared based on the discounted cash flow method, 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.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountants, Deloitte Touche Tohmatsu, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

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

2. REPORT FROM THE REPORTING ACCOUNTANTS IN RELATION TO THE VALUATION REPORT ON THE EQUITY INTERESTS

The following is the text of the independent assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the calculations of discounted future estimated cash flows of PT Jasamarga Semarang Batang prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 39.77% EQUITY INTERESTS IN AN INDONESIAN COMPANY WHICH OPERATES THE SEMARANG-BATANG EXPRESSWAY

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 14 November 2022, of 39.77% equity interests in PT Jasamarga Semarang Batang (the "Target Company") as at 31 August 2022 (the "Valuation") is based. The Target Company is a company incorporated in Indonesia whose principal activity is operation of the Semarang-Batang expressway in Central Java Province, Indonesia. 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 a circular dated 14 November 2022 to be issued by Road King Infrastructure Limited (the "Company") in connection with the major acquisition of 39.77% equity interests in the Target Company by Kings Bless Limited, an indirect subsidiary which is owned as to 75% by the Company (the "Circular").

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 Appendix VI of the Circular (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 Control

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. Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented 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 14.71 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 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 39.77% equity interests 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
14 November 2022

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 Company. 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

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Shares

			Number of Shares held		
Name of Directors	**Nature of interest**	*Notes*	**Long position**	**Short position**	**Percentage of holding** *(Note 3)*
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) Underlying Shares – Share Options

The Share Option Scheme was adopted by the Company on 8 May 2013. Particulars of the Share Option Scheme are set out in note 29 to the audited consolidated financial statements in the Company's annual report for the year ended 31 December 2021.

(c) *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 *(Note 1)* (long position)
	RKPF Overseas 2019 (E) Limited	Personal	US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US$40,900,000 *(Note 2)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$400 million 7.875% guaranteed senior notes	US$12,000,000 *(Note 3)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$480 million 6.7% guaranteed senior notes	US$12,500,000 *(Note 4)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$300 million 5.9% guaranteed senior notes	US$2,000,000 *(Note 5)* (long position)
	RKPF Overseas 2019 (A) Limited	Personal	US$416 million 6% guaranteed senior notes	US$3,000,000 *(Note 6)* (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)
	RKPF Overseas 2019 (A) Limited	Personal	US$480 million 6.7% guaranteed senior notes	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$39,600,000 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.

3. A principal amount of US$9,000,000 of US$400 million 7.875% guaranteed senior notes 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.

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$1,000,000 of US$416 million 6% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US$1,000,000 of US$416 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.

Save as disclosed above, none of the Directors or their associates had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(ii) Substantial Shareholders' interests

As at the Latest Practicable Date, the interests or short positions of every person, other than the Directors, in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

		Number of Shares held		
Name of Shareholders	**Nature of interest**	**Long position** *(Note 1)*	**Short position**	**Percentage of holding** *(Note 11)* %
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
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 is a director 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.

Save as disclosed above, no other person (other than the Directors) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

* *for identification purpose only*

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company 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.

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	Vice President

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

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, 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
Ernst & Young	Certified public accountants
RHL Appraisal Limited	Independent professional business valuer
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, each of the above named experts did not have any shareholding in any member of the Group and did not 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, each of the above named experts did not have any direct or indirect interest in the Acquisition or any assets which has been, since 31 December 2021 (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 AVAILABLE FOR INSPECTION

Copies of the following documents will be displayed on the websites of the Stock Exchange and the Company (https://www.roadking.com.hk/en/index/) for a period of not less than 14 days prior to the SGM:

(a) the Conditional SPA

(b) the Amended and Restated Shareholders Agreement (agreed form)

(c) the accountants' report on the Target Company prepared by Ernst & Young, the text of which is set out in Appendix III to this circular;

(d) the assurance report from Deloitte Touche Tohmatsu on the compilation of pro forma financial information, the text of which is set out in Appendix II to this circular;

(e) the traffic study report prepared by WB Group International Limited, the text of which is set out in Appendix V to this circular;

(f) the valuation report prepared by RHL Appraisal Limited on the Sale Shares, the text of which is set out in Appendix VI to this circular;

(g) the report from Deloitte Touche Tohmatsu in relation to the valuation report on the Sale Shares, the text of which is set out in Appendix VII to this circular; and

(h) the written consents referred to in the paragraph headed "Experts and Consent" in this Appendix.

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, 30 November 2022 at 9:30 a.m. for the purpose of considering, and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(i) the acquisition of 39.77% equity interests in PT Jasamarga Semarang Batang by Kings Bless Limited (the "**Acquisition**") pursuant to the amended and restated conditional sale and purchase agreement entered into between Kings Bless Limited and PT Waskita Toll Road on 26 October 2022 (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 ratified, confirmed and 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 Acquisition."

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

Hong Kong, 14 November 2022

Notes:

1. The register of members of the Company will be closed from Tuesday, 29 November 2022 to Wednesday, 30 November 2022, 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 special general 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, 28 November 2022 for registration.

2. Any member of the Company entitled to attend and vote at the special general meeting of the Company 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 special general meeting of the Company 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 special general meeting of the Company 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 special general meeting of the Company 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 special general meeting of the Company, 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. The Company will undertake the following precautionary measures to safeguard the health and well-being of the shareholders (or their proxies) who are attending the Meeting in person, including body temperature check, health declaration, wearing surgical face mask, access restriction for quarantine participants according to the Department of Health of Hong Kong, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the Meeting, **no refreshment will be served at the meeting venue**. Any person who refuses to co-operate with the above precautionary measures or is detected to have a fever (i.e. over 37.0 degrees Celsius) or exhibiting flu-like symptoms will not be admitted to the meeting venue.