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ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

VERY SUBSTANTIAL DISPOSAL - PROPOSED DISPOSAL OF SALE SHARES

Sole Financial Adviser to the Company



UBS AG Hong Kong Branch

THE SPA

On 17 November 2023, the Seller (an indirect subsidiary owned as to 75% by the Company) entered into the SPA with the Purchaser, pursuant to which, subject to the fulfilment (or waiver) of conditions precedent as disclosed below, the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing all the shares in issue of the Target Company. The consideration for the Disposal is RMB4,411.8 million (equivalent to approximately HK\$4,796.1 million), subject to downward adjustments based on post completion accounts.

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

IMPLICATIONS UNDER THE LISTING RULES

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

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the transactions contemplated under the SPA.

The Circular containing, among others, (i) further information on the Disposal and the SPA; (ii) further information to enable Shareholders to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the SGM relating to the SPA and the Disposal contemplated thereunder, including a traffic study report on the Expressways and a Valuation Report on the Sale Shares; (iii) other information as required under the Listing Rules; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 6 December 2023.

INTRODUCTION

The Board announces that on 17 November 2023, the Seller (an indirect subsidiary owned as to 75% by the Company) entered into the SPA with the Purchaser, pursuant to which, subject to the fulfilment (or waiver) of conditions precedent as disclosed below, the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing all the shares in issue of the Target Company.

In essence, through effecting the Disposal, the Group is divesting its expressway portfolio in the PRC to realise the value of its investment. The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules.

THE SPA

The principal terms of the SPA are as follows:

Date

17 November 2023

Parties

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

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

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

Consideration and payment terms

The consideration for the Disposal is RMB4,411.8 million (equivalent to approximately HK\$4,796.1 million) (the "**Preliminary Consideration**"), subject to downward adjustments for (a) any distributions by the Expressway JVs that is received by the Remaining Group after 30 June 2023; and (b) any cash outflow from the Target Group or the Expressway JVs to the Remaining Group outside the ordinary course of business or in excess of RMB500,000 for non-budgeted new indebtedness or capital expenditure or otherwise more than 10% in excess of budgeted amounts, on a dollar for dollar basis (or, for cash outflows from Expressway JVs, pro-rated by reference to the Seller's economic interest in that Expressway JV) from or after 1 August 2023 to the Completion Date, in each case without the consent of the Purchaser, based on post completion accounts.

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

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

Basis of the consideration

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

Conditions precedent

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

- (a) the Company having obtained Shareholders' approval in relation to the Disposal pursuant to the Listing Rules;
- (b) all necessary third-party approvals, consents, exemptions, permits, filings, registrations, authorisations and waivers in connection with the Disposal contemplated under the SPA having been obtained or completed, including (i) the shareholders of the Purchaser having completed the relevant overseas investment filing procedures with the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC; and (ii) the shareholders of the Purchaser having completed the declaration of concentration of business operator in the PRC in relation to the transactions contemplated under the SPA;
- (c) save for certain transactions and matters agreed by the Parties in writing, there being no material adverse change in and no force majeure event which may reasonably be anticipated to have a material adverse effect on the shareholding structure, assets, business, operation, financial position or indebtedness of the Target Group and the Expressway JVs from the date of the SPA up to the Completion Date;

- (d) there being no laws and regulations and no judgments, awards, rulings, decisions, orders and injunctions by courts, arbitral tribunals or other relevant governmental authorities which limit, prohibit or void the transactions contemplated under the SPA; and there being no pending or threatened disputes, litigation, arbitration, claims and/or other legal proceedings which have or will have a material adverse effect on any member of the Target Group or any of the Expressway JVs or the transactions contemplated under the SPA; and
- (e) there being no events which materially breach the warranties provided by the Seller under the SPA.

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

Completion

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

Post-Completion obligations

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

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

INFORMATION ON THE TARGET GROUP AND EXPRESSWAY JVS

Business of the Target Group

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

Set out below are the further details of the Expressways as at the date of this announcement:

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

Notes:

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

(a) *Baojin Expressway*

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

(b) *Changyi Expressway*

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

(c) *Longcheng Expressway*

Longcheng Expressway, which is approximately 72 km long, is situated in Shanxi Province. It is located to the southeast of Taiyuan City and is a key connector to the Beijing-Kunming Expressway, one of the seven radial expressways from Beijing to the south-western regions in the PRC. It originates from Yuci Longbai Village located in the east of Taiyuan City, connecting to the Taijiu Expressway, and ends at Chengzhao in Qi County, connecting to the Dayun Expressway. It is the south eastern section of the outer-ring road of the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transportation traffic from the southern Shanxi Province and Shaanxi Province to the Bohai Rim Region.

(d) *Machao Expressway*

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

Financial information of the Target Company and the Expressway JVs

In anticipation of the Disposal, certain subsidiaries of the Target Company which are principally companies serving administrative functions for the Group have been either transferred into the Group or dissolved, as appropriate. Accordingly, for the purpose of this announcement, given that the Target Group has been controlled by the Company throughout the periods set out below, only the assets and liabilities and results attributable to the joint ventures operating the four Expressways are included in the financial information of the Target Company.

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

Target Company

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

Baojin Expressway JV

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

Changyi Expressway JV

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

Longcheng Expressway JV

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

Machao Expressway JV

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

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

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

FINANCIAL IMPACT OF THE DISPOSAL

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

The Company is expected to recognize an unaudited estimated net gain of approximately HK\$900 million from the Disposal, which is calculated on the basis of the difference between the total consideration and the unaudited net asset value of the Target Group as at 30 June 2023 and after taking into account transaction-related expenses and income tax.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

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

The Disposal enables the Group to realize the value of its investment in the Expressways at fair market value that also represents a premium over the unaudited net asset value of the Target Group as at 30 June 2023. Following the Disposal, the Group's toll road business will include (i) its interests in its Indonesia expressway portfolio held through joint ventures in that country, and (ii) its residual interests in joint ventures operating the Tangjin Expressway in which the Group's operating rights have expired, in the form of entitlements to distributions up to the end of the joint venture period. The Remaining Group expects to continue to hold and operate its expressway portfolio in Indonesia comprising interests in four toll road projects in Indonesia spanning approximately 335 km in total. The Group expects that it will start to receive cash distributions from certain of its Indonesia toll road joint ventures from or after 2024, and to enjoy profit contribution from that portfolio as the economy in Indonesia improves and the government approves increased toll rates for some of the toll roads. The Group has no plan to exit its toll road business segment. As such, the business segments of the Remaining Group will remain unchanged immediately following Completion.

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

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

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios in relation to the Disposal calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements thereunder. The SGM will be convened and held for the purposes of considering and, if thought fit, approving the transactions contemplated under the SPA.

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

The Circular containing, among others, (i) further information on the Disposal and the SPA; (ii) further information to enable Shareholders to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the SGM relating to the SPA and the Disposal contemplated thereunder, including a traffic study report on the Expressways and a Valuation Report on the Sale Shares; (iii) other information as required under the Listing Rules; and (iv) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 6 December 2023.

VALUATION

The appraised fair value of the Sale Shares as at 31 August 2023 is approximately RMB4,402.0 million (equivalent to approximately HK\$4,785.4 million) as per the Valuation Report, which was conducted by RHL using the income approach by applying the discounted cash flow method. The discounted cash flow method is the most commonly used method for valuing interests in operating toll roads which typically operates under long concessions, as this method focuses on the future economic benefits generated by the income producing capability of toll roads and is able to reasonably take into account the future cash flow of the Target Group with reference to the economy and industry outlook, historical financial and operation results. As RHL adopted the income approach which involves the use of discounted cash flow method in arriving at the appraised fair value of the Sale Shares, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and this announcement complies with the requirements under Rule 14.62 of the Listing Rules in relation to profit forecast.

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

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

Review by Reporting Accountants and Financial Adviser

The Company has engaged Deloitte to report to the Directors on the calculations of the discounted future estimated cash flows used in the Valuation Report prepared by RHL, and Deloitte has reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in the Valuation Report. As the valuation of the Sale Shares relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation and thus Deloitte has not reported on the accounting policies for the profit forecast.

The Financial Adviser has confirmed that it is satisfied that the forecast upon which the valuation has been made, for which the Directors are solely responsible, has been made after due and careful enquiry.

The text of the report issued by Deloitte in relation to the calculations of the discounted future estimated cash flows in compliance with Rule 14.62(2) of the Listing Rules is set out in Appendix I to this announcement and the letter from UBS in compliance with Rule 14.62(3) of the Listing Rules is included in Appendix II to this announcement.

Experts and consents

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

Name	Qualification
Deloitte	Certified public accountants
RHL	Independent professional valuer
UBS	A registered institution under the SFO which is registered to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO

Each of the above named experts has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which they respectively appear.

As at the date of this announcement, none of Deloitte and RHL has any shareholding in any member of the Group nor does any of them have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at 16 November 2023, being the latest practicable date for the sole purpose of ascertaining the shareholding of UBS in any member of the Group prior to the date of this announcement, UBS held Shares (representing less than 0.03% of the Shares in issue) and did not otherwise have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

Completion is conditional upon the fulfillment of the Conditions. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Baojin Expressway”	means the Provincial Expressway S3700 Tianjin-Xiongan Expressway (formerly known as the National Expressway G18 Baoding-Tianjin Expressway) situated in Hebei Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this announcement;
“Baojin Expressway JV”	means collectively, the joint venture companies operating their respective section of the Baojin Expressway;
“Board”	means the board of Directors;
“BVI”	means the British Virgin Islands;
“Changyi Expressway”	means the National Expressway G5513 Changsha-Yiyang Expressway situated in Hunan Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this announcement;
“Changyi Expressway JV”	means collectively, the joint venture companies operating their respective section of the Changyi Expressway;
“Circular”	means the Shareholders’ circular to be despatched by the Company in connection with the transactions contemplated under the SPA;
“Company”	means Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1098);
“Completion”	means completion of the Disposal as contemplated under the SPA;
“Completion Date”	means the date of completion of the Disposal;
“Deloitte” or “Reporting Accountants”	means Deloitte Touche Tohmatsu, the reporting accountants and auditor of the Company;

“Director(s)”	means the directors of the Company;
“Disposal”	means the proposed transfer of the Sale Shares as contemplated under the SPA;
“Expressway(s)”	means Baojin Expressway, Changyi Expressway, Machao Expressway and Longcheng Expressway;
“Expressway JV(s)”	means Baojin Expressway JV, Changyi Expressway JV, Machao Expressway JV and Longcheng Expressway JV;
“Financial Adviser” or “UBS”	means UBS AG Hong Kong Branch, a registered institution under the SFO which is registered to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Company in respect of the Disposal. UBS AG is incorporated in Switzerland with limited liability;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	means third parties independent of the Company and its connected persons (as defined under the Listing Rules);
“km”	means kilometre;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means 31 March 2024 or such later date as the Parties may agree in writing;

“Longcheng Expressway”	means the Provincial Expressway S2002 Yuci Longbai Village-Chengzhao, Qixian Expressway situated in Shanxi Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this announcement;
“Longcheng Expressway JV”	means the joint venture company operating the Longcheng Expressway;
“Machao Expressway”	means the National Expressway G4221 Ma’anshan-Chaohu Expressway situated in Anhui Province, information of which is set out in the section headed “Information on the Target Group and Expressway JVs” in this announcement;
“Machao Expressway JV”	means the joint venture company operating the Machao Expressway;
“Parties”	means the parties to the SPA, being the Seller and the Purchaser;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	means the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	means Cornerstone Holdings Limited (佳選控股有限公司), a company incorporated in Hong Kong with limited liability;
“Remaining Group”	means the Group (excluding the Target Group);
“RHL”	means RHL Appraisal Limited, an independent professional valuer appointed by the Company;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Sale Shares”	means all the shares in issue in the Target Company held by the Seller;

“Seller”	means Road King Expressway International Holdings Limited (路勁高速公路國際控股有限公司), a company incorporated in Bermuda with limited liability and an indirect subsidiary owned as to 75% by the Company;
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	means a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the SPA and the transactions contemplated thereunder;
“Shares”	means ordinary shares of the Company;
“Shareholders”	means holders of the Shares;
“SPA”	means the conditional sale and purchase agreement dated 17 November 2023 entered into between the Seller and the Purchaser in relation to the Disposal;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Tangjin Expressway”	means National Expressway G25 Tangshan-Tianjin Expressway situated in Hebei Province;
“Target Company”	means Road King (China) Infrastructure Limited, a company incorporated under the laws of the BVI with limited liability, which is wholly owned by the Seller;
“Target Group”	means the Target Company and its subsidiaries;
“Valuation Report”	means the valuation report dated 17 November 2023 prepared by RHL to determine the fair value of the Sale Shares as at 31 August 2023, adopting the income approach; and

“%”

means per cent.

By Order of the Board
Road King Infrastructure Limited
Zen Wei Peu, Derek
Chairman

Note: For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.91988:HK\$1.00. No representation is made that any amounts in RMB has been or could be converted at the above rate or at any other rates.

Hong Kong, 17 November 2023

As at the date of this announcement, the Board comprises Messrs. Zen Wei Peu, Derek, Ko Yuk Bing, Fong Shiu Leung, Keter and Ng Fun Hung, Thomas as Executive Directors, Ms. Cai Xun and Mr. Xu Enli as Non-executive Directors and Mr. Lau Sai Yung, Mr. Wong Wai Ho, Ms. Hui Grace Suk Han and Mr. Cheung Hon Kit as Independent Non-executive Directors.

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

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

Deloitte.

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

TO THE DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

We have examined the calculations of the discounted future estimated cash flows, on which the valuation prepared by RHL Appraisal Limited dated 17 November 2023, of 100% equity interest in Road King (China) Infrastructure Limited (the “Target Company”) as at 31 August 2023 (the “Valuation”) is based. The Target Company is an investment holding company incorporated in the British Virgin Islands. The principal businesses of the Target Company and its subsidiaries are the investment in, and the development, operation and management of expressway projects in the People’s Republic of China through holding interests in joint ventures with respective joint venture partners. Each joint venture has the right to operate the section of the expressway held by it during the concession period in accordance with the relevant joint venture contracts. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated 17 November 2023 to be issued by Road King Infrastructure Limited (the “Company”) in connection with the disposal of all the shares in issue of the Target Company (the “Announcement”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

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

Reporting Accountants’ Responsibility

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

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of 100% equity interest in the Target Company.

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

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 November 2023

APPENDIX II — LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE PROFIT FORECAST INCLUDED IN THE VALUATION REPORT

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



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17 November 2023

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

Dear Sirs,

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

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

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

We are not reporting on the arithmetical calculations of the Forecast and the adoption of the accounting policies thereof, and our work does not constitute any valuation or fairness opinion of the shareholders' equity of the Target Company. We have assumed, without independent verification, the accuracy of the parameters stated in the Valuation Report. We have assumed that all information, materials, opinions and/or representations supplied, including all information, materials, opinions and/or representations referred to or contained in the Announcement, for which the Directors are solely responsible, were true, accurate, complete and not misleading at the time they were supplied or made and continued to be so up to the date of this letter and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review. In addition, the qualifications, bases and assumptions adopted by RHL are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of RHL and the Company.

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

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

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

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

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

Samson LO
Managing Director

Jun LUO
Managing Director