



勁投國際控股有限公司*
RKE International Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 3682

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan

HSBC 

 DBS

*For identification purpose only

IMPORTANT

IMPORTANT: *If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



RKE International Holdings Limited

勁投國際控股有限公司*

(Incorporated in Bermuda with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	418,500,000 Shares (comprising 310,000,000 Shares to be offered by the Company and 108,500,000 Shares to be sold by the Selling Shareholder, subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	41,850,000 Shares (subject to adjustment)
Number of International Offer Shares	376,650,000 Shares including 43,900,000 Reserved Shares under the Preferential Offering (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	HK\$5.50 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	HK\$0.10 per Share
Stock code	3682

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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 DBS

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Selling Shareholder and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 30 June 2017 (Hong Kong time) and, in any event, not later than Monday, 3 July 2017 (Hong Kong time). The Offer Price will be not more than HK\$5.50 per Offer Share and is currently expected to be not less than HK\$4.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, 3 July 2017 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Selling Shareholder and our Company, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$5.50 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$5.50 per Offer Share.

The Joint Global Coordinators, on behalf of the Underwriters, and with the consent of the Selling Shareholder and our Company, where considered appropriate, may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$4.00 to HK\$5.50 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.rkeinternational.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Reserved Shares” in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in “Risk Factors”. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination”.

We have not been and will not be registered under the U.S. Investment Company Act. The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold in the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold in the United States or to U.S. persons, in each case only to persons who are both QIBs and QPs in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

* for identification purposes only

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of the Company at www.rkeinternational.com and the Stock Exchange at www.hkexnews.hk.

Despatch of BLUE Application Forms to Qualifying RKI Shareholders on or before	Tuesday, 27 June 2017
Hong Kong Public Offering and Preferential Offering commence and WHITE and YELLOW Application Forms available from	Tuesday, 27 June 2017
Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, 30 June 2017
Application lists open ⁽³⁾	11:45 a.m. on Friday, 30 June 2017
Latest time for (a) lodging WHITE , YELLOW and BLUE Application Forms, (b) completing payment for HK eIPO White Form applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (c) giving electronic application instructions to HKSCC	12:00 noon on Friday, 30 June 2017
Application lists close ⁽³⁾	12:00 noon on Friday, 30 June 2017
Expected Price Determination Date	Friday, 30 June 2017
(1) Announcement of: <ul style="list-style-type: none">● the Offer Price;● the level of indications of interest in the International Offering;● the level of applications in the Hong Kong Public Offering and the Preferential Offering; and● the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares to be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese), on or before	Thursday, 6 July 2017
(2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see " <i>How to Apply for Hong Kong Offer Shares and Reserved Shares—E. Publication of Results</i> ") from	Thursday, 6 July 2017
Announcement of (1) and (2) above to be published on the website of the Company at www.rkeinternational.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 6 July 2017
Results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where appropriate) will be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Thursday, 6 July 2017
Dispatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁴⁾	Thursday, 6 July 2017

EXPECTED TIMETABLE⁽¹⁾

Dispatch/Collection of refund cheques and White Form e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before	Thursday, 6 July 2017
Dealings in the Shares on the Stock Exchange expected to commence on	Friday, 7 July 2017

Notes:

- (1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 30 June 2017, the application lists will not open on that day. See “*How to Apply for Hong Kong Offer Shares and Reserved Shares—D. Effect of Bad Weather on the Opening of the Application Lists*” for more details.
- (4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, 7 July 2017, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, see “*Structure of the Global Offering*” and “*How to Apply for Hong Kong Offer Shares and Reserved Shares*”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

Preferential Offering

The **BLUE** Application Forms together with copies of this prospectus have been despatched to all Qualifying RKI Shareholders. In addition, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at www.rkeinternational.com and the Stock Exchange at www.hkexnews.hk under “*HKExnews > Listed Company Information > Latest Listed Company Information*”.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Preferential Offering and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares and Reserved Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained on our website, located at www.rkeinternational.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an expressway investor and operator in the PRC with over 20 years of experience of operation in the toll road industry. Our principal activities are investment in, and the development, operation and management of, expressway projects in the PRC. The expressway projects we currently have interests in comprise:

- National Expressway G18 Baoding-Tianjin (“Baojin Expressway”)
- National Expressway G25 Tangshan-Tianjin (“Tangjin Expressway”)
- National Expressway G5513 Changsha-Yiyang (“Changyi Expressway”)
- Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi County (“Longcheng Expressway”)
- Provincial Expressway S24 Ma’anshan-Chaohu (“Machao Expressway”)

Our investments in expressways are held, via our wholly-owned subsidiaries, in the form of Expressway JVs with their respective Expressway JV Partners. Spanning approximately 340 km, the five expressways are located in provinces that we believe will benefit from the economic growth brought by China’s Three Initiatives.

We are directly involved in the management of the five expressways and focus on maintaining operational and cost efficiencies in our business operations. For the years ended 31 December 2014, 2015 and 2016, calculated by our proportionate share of the Expressway JVs based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods, our Group’s aggregate proportionate EBITDA margin was 83.0%, 82.1% and 83.8%, respectively, and our Group’s aggregate proportionate EBITDA from the Expressway JVs was approximately HK\$768.0 million, HK\$874.2 million and HK\$1,014.4 million, respectively⁽¹⁾.

For the years ended 31 December 2014, 2015 and 2016, the total traffic volume recorded by the expressway projects we have interests in was approximately 55.6 million, 66.6 million and 74.0 million vehicles, respectively; our proportionate share of toll receipts (calculated based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods) was approximately HK\$925.7 million, HK\$1,064.7 million and HK\$1,210.7 million, respectively; and the cash distributions we received from the Expressway JVs, including the repayment of shareholders’ loans of HK\$51.6 million, HK\$55.6 million and HK\$46.3 million during these periods, were approximately HK\$464.8 million, HK\$471.2 million and HK\$550.0 million, respectively.

OBJECTIVES

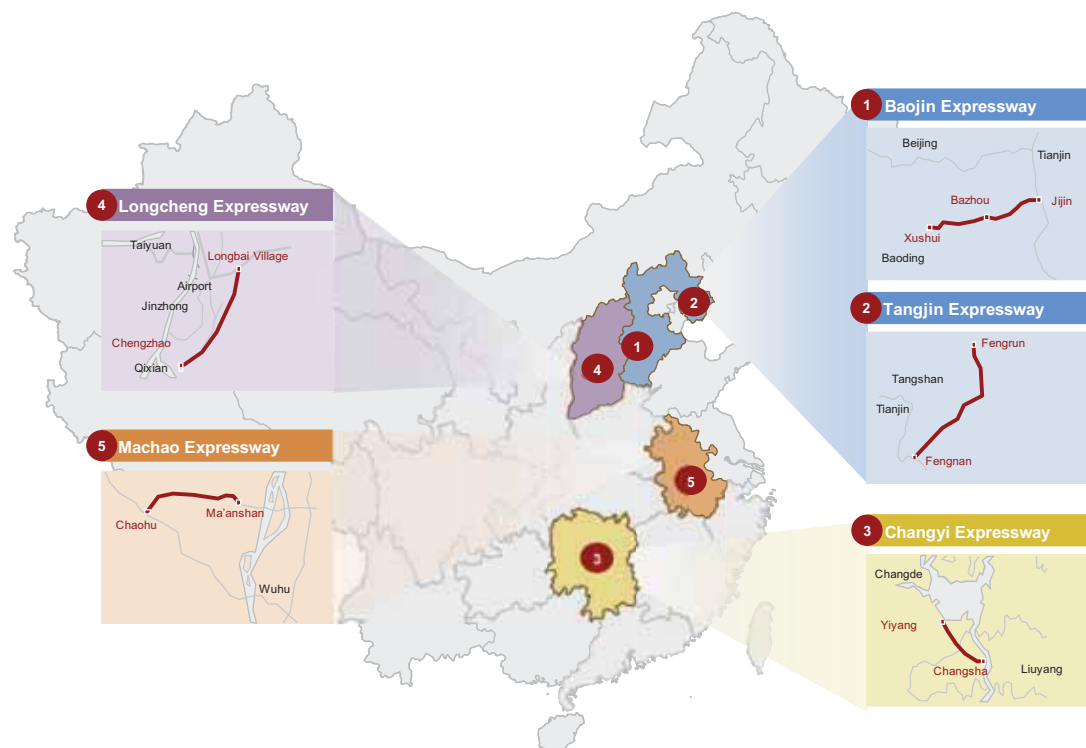
The objective of the Group is to provide Shareholders with stable distributions as well as the potential for the sustainable long-term growth of such distributions.

⁽¹⁾ EBITDA is not an HKFRS financial measure. See “Financial Information—Historical Non-HKFRS Financial Ratios” for more details.

SUMMARY

THE FIVE EXISTING EXPRESSWAY PROJECTS

As of 31 December 2016, our expressway portfolio consisted of interests in five expressway projects spanning approximately 340 km. The five expressway projects are depicted in the following map:



Our expressway business is carried out through Expressway JVs, in which our current equity interests range from 40.0% to 49.0%. The operation of expressways principally involves the collection of tolls and maintenance. We do not consolidate the Expressway JVs' toll revenue and expenses under the relevant HKFRS accounting rules, but the results and net assets of the Expressway JVs are incorporated in our Company's combined financial statements using the equity method of accounting.

A brief description of our expressway projects is as follows:

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. It is also a component of the G18 Rongcheng-Wuhai Expressway, one of the eighteen horizontal east-west national expressways, and is expected to benefit from incremental traffic flow upon the opening of its western section in 2017. 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. In addition, we expect that Baojin Expressway will benefit from both the "One Belt, One Road" initiative and the "Jing-Jin-Ji Integration" policy. In addition, a circular issued by the Central Committee of the Communist Party of China and the State Council in April 2017 (《中共中央、國務院關於設立河北雄安新區的通知》) announced that the Xiongan New Area (雄安新區) will be established in Hebei Province to advance the "Coordinated Development of Beijing, Tianjin and Hebei" policy. This project earned approximately HK\$706.2

SUMMARY

million, HK\$772.3 million and HK\$794.8 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. The proposal to initiate the initial phase to widen Baojin Expressway has been approved by Baojin Expressway JV's board of directors. Subject to the government and the Expressway JV's board approvals, we aim to have the Baojin Expressway JV concession period extended should Baojin Expressway JV invest in the upgrade.

Tangjin Expressway

Tangjin Expressway, which is approximately 58 km long, is situated in Hebei Province. It is a component of the Changchun-Shenzhen Expressway, one of the eleven vertical north-south national expressways. It connects Tangshan and Tianjin and is a major road connecting the southern and eastern coastal areas in Hebei including Tianjin, Tangshan and Qinhuangdao with the north-eastern region of China. It is a part of the Tangshan East Outer-Ring Highway and it also connects the Beijing-Harbin Expressway with the Beijing-Taipei Expressway, two of the seven radial expressways from Beijing. We expect that Tangjin Expressway will benefit from both the "One Belt, One Road" initiative and the "Jing-Jin-Ji Integration" policy. This project earned approximately HK\$598.4 million, HK\$668.4 million and HK\$612.2 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. The proposal to initiate the initial phase to widen Tangjin Expressway has been approved by Tangjin Expressway JV's board of directors. Subject to the government and the Expressway JV's board approvals, we aim to have the Tangjin Expressway JV concession period extended should Tangjin Expressway JV invest in the upgrade.

Changyi Expressway

Changyi Expressway, which is approximately 69 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 the major connecting route to 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, and is expected to benefit from an increase in freight and logistic transportation flowing in and out of these development zones. This project earned approximately HK\$652.9 million, HK\$709.6 million and HK\$749.8 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We are currently working with the Expressway JV Partner to look into the possibility of widening Changyi Expressway. Subject to the government and the Expressway JV's board approvals, we aim to have the Changyi Expressway JV concession period extended should Changyi Expressway JV invest in the upgrade.

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 component of the Beijing-Kunming Expressway, one of the seven radial expressways from Beijing. 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. It is a critical component of the national expressway system connecting Beijing and the south-western regions in China. The operation of Longcheng Expressway commenced in July 2012. This project earned approximately HK\$207.4 million, HK\$242.0 million and HK\$316.6 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively.

SUMMARY

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. We expect that Machao Expressway will benefit from both the “One Belt, One Road” initiative and the “Yangtze River Economic Belt Development” policy. This project earned HK\$89.7 million, HK\$186.9 million and HK\$220.2 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We completed the acquisition of our interest in the Machao Expressway JV in June 2014.

Table of Key Statistics

	Baojin Expressway	Tangjin Expressway	Changyi Expressway	Longcheng Expressway	Machao Expressway
Total length (km)	105	58	69	72	36
Number of lanes	4	6 (between Hebei/ Tianjin border and Lianhuapo) 4 (between Lianhuapo and Beijing-Harbin Expressway)	4	6	6
Design capacity	56,300 vehicles per day	41,500 vehicles per day (four-lane sections) 62,200 vehicles per day (six-lane sections)	70,000 vehicles per day	91,000 vehicles per day	93,000 vehicles per day
Expressway JV Partner(s)	Hebei Provincial Expressway Development Company (河北省高速公路開發 有限公司)	Hebei Provincial Expressway Development Company (河北省高速公路開發 有限公司)	Hunan Expressway Construction Development Company (湖南省高速公路建設 開發總公司)	Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (晉中市公用基礎設施 投資控股(集團)有限公司) and Jinzhong Lutong Highway Development Company Limited (晉中路通公路開發有限公司) ⁽³⁾	Anhui Transportation Holding Group Company Limited (安徽省交通控股集團 有限公司)
Total number of directors nominated by the Group	4 out of 10, including vice chairman of the board	3 out of 7, including vice chairman of the board	3 out of 7, including vice chairman of the board ⁽²⁾	3 out of 8, including either chairman or vice chairman of the board by rotation of each term of three years	2 out of 5, including vice chairman of the board
Date of Expressway JV Contract	June 2003	January 2005	August 1997	April 2011	April 2014
Expressway JV concession period	30 years	18 years	27 years	30 years	30 years
Expressway JV expiry date	September 2033	January 2023	October 2024	June 2041 (extendable upon mutual consent)	May 2044
Concession period expiry date	September 2033	January 2023	October 2024	July 2042	December 2043
Arrangement upon the end of the concession period	At the end of the concession period, in line with the applicable regulatory requirements and the terms of the Expressway JV Contracts, the expressways and their operating rights will revert to the relevant Expressway JV Partner or the relevant government transport authority at nil consideration.				
Total investment⁽¹⁾	RMB2,400.0 million	RMB1,775.4 million	RMB1,432.6 million	RMB4,247.7 million	RMB2,360.1 million
Our contribution to the total investment⁽¹⁾	RMB960.0 million	RMB798.9 million	RMB618.4 million	RMB660.2 million	RMB580.3 million
Our equity interest (%)	40%	45%	43.17%	45%	49%
Current profit/cash sharing ratio to the Group	40%	45%	50%	45%	49%
Cash distribution received by the Group in 2014, 2015 and 2016	HK\$224.5 million, HK\$148.6 million and HK\$200.9 million	HK\$47.7 million, HK\$102.5 million and HK\$134.2 million	HK\$141.0 million, HK\$164.6 million and HK\$168.6 million	Nil ⁽⁴⁾	Nil ⁽⁴⁾

SUMMARY

Notes:

- (1) See “*The Expressway Projects—Financing*” for more details.
- (2) The nomination rights of the chairman and vice chairman of the board of Changyi Expressway JV may be changed upon mutual consent of the parties.
- (3) The board of Longcheng Expressway JV approved a partial equity transfer by JZPI on 15 February 2017. See “*The Expressway Projects—Longcheng Expressway—Recent Developments—Equity Transfer*” for more details.
- (4) Longcheng Expressway and Machao Expressway are in the ramp-up phase. Although no cash distribution has been made by either of them due to their capital expenditures as well as repayments of loans, they earned a profit in 2016 and we expect to receive cash distributions from them from the end of 2017 onwards.

Joint Venture and Project Management Arrangements

The Group, via its wholly-owned subsidiaries, has entered into joint venture contracts with their respective Expressway JV Partners for all expressway projects. A brief summary of the terms of the Expressway JV Contracts are set forth below:

- **Appointment of directors and senior management staff:** All parties to an Expressway JV have the right to appoint a number of directors to the board of the Expressway JV that are largely proportionate to their respective equity interest as well as the right to appoint certain senior management staff of the Expressway JV.
- **Approval of corporate matters:** Certain significant transactions and decisions of each Expressway JV including, among others, alteration of its articles of association, increase in registered share capital, dissolution, mergers or divestures and a transfer of the interests in the Expressway JVs require unanimous approval by all directors of the board or by all the directors present at the meeting of the board of directors, where applicable, of the relevant Expressway JV. Other major decisions will require approval by (a) two-thirds of all the directors of the board with at least one from each joint venture partner, (b) more than two-thirds of all the directors present at the board meeting, or (c) more than two-thirds of all the directors present at the board meeting with at least one from each joint venture partner, as applicable, of the relevant Expressway JV.
- **Cash distributions:** Cash distributions are made by the Expressway JVs to the relevant joint venture parties periodically subject to availability.
- **Extension of the Expressway JV:** The extension of each Expressway JV requires the agreement by all parties to the relevant Expressway JV Contract and relevant regulatory approvals.
- **Asset distribution upon termination of the Expressway JV:** Generally, upon termination, the expressway, operating rights and ancillary assets or all fixed assets (as the case may be) are to be returned or transferred to our Expressway JV Partner or the MOT at nil consideration, while the remaining assets (after settlement of liabilities) are to be distributed pro rata according to the profit/cash sharing ratio set out in the Expressway JV Contract or to ensure that the Expressway JV Partner can enjoy substantially the same rate of return on investment.

For the terms of each Expressway JV Contract, see “*The Expressway Projects—Joint Venture and Project Management Arrangements*” for more details.

SUMMARY

Historical Traffic Flows and Toll Receipts

The following table sets out the average daily traffic and average daily toll receipts collected by the Expressway Joint Ventures for the years ended 31 December 2014, 2015 and 2016:

Project ⁽¹⁾	For the years ended 31 December					
	2014		2015		2016	
	Average Daily Traffic	Average Daily Toll Receipts	Average Daily Traffic	Average Daily Toll Receipts	Average Daily Traffic	Average Daily Toll Receipts
	(RMB in thousands)		(RMB in thousands)		(RMB in thousands)	
National Expressway G18 Baoding-Tianjin Expressway	45,961	1,587.7	53,145	1,745.2	56,258	1,879.4
Passenger traffic	26,657	609.7	32,790	770.2	37,693	703.3
Truck traffic	19,304	978.0	20,355	975.0	18,565	1,176.1
National Expressway G25 Tangshan-Tianjin Expressway	37,772	1,345.4	44,273	1,510.3	45,955	1,447.6
Passenger traffic	15,098	190.8	18,976	246.1	18,966	217.1
Truck traffic	22,674	1,154.6	25,297	1,264.2	26,989	1,230.5
National Expressway G5513 Changsha-Yiyang Expressway	50,804	1,467.9	59,555	1,603.5	64,952	1,773.1
Passenger traffic	42,852	985.8	51,447	1,165.8	55,942	1,313.4
Truck traffic	7,952	482.1	8,108	437.7	9,010	459.7
Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi County Expressway	12,428	467.4	12,495	547.4	17,274	749.2
Passenger traffic	9,811	202.4	9,463	158.4	12,592	185.7
Truck traffic	2,617	265.0	3,032	389.0	4,682	563.5
Provincial Expressway S24 Ma'anshan-Chaohu Expressway ⁽²⁾	9,310	344.1	12,947	423.0	17,695	520.0
Passenger traffic	5,681	120.1	8,697	148.0	12,244	207.0
Truck traffic	3,629	224.0	4,250	275.0	5,451	313.0

Notes:

- (1) For Baojin Expressway, Tangjin Expressway, Changyi Expressway and Longcheng Expressway, daily average traffic flow is calculated using the sum of the expressway's daily traffic, including the number of vehicles leaving the expressway's toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing through the expressway but not entering or leaving from the expressway's toll plazas. Due to the fact that historically, traffic flow data related to expressways in Anhui are presented on a weighted basis, Machao Expressway's daily average traffic flow is calculated using its weighted average daily section traffic flow.
- (2) The Group completed the acquisition of its interest in Machao Expressway JV in June 2014. The figures represent its results of operations since then.

POTENTIAL COMPETITION

The expressways we have interests in face competition from (i) existing or alternative routes of comparable quality to our roads and bridges and (ii) alternative modes of transportation, which may impose lower or no tolls or provide more direct routes. Such competition may affect negatively the profitability of an expressway. See *"Risk Factors—Risks Relating to Our Business and Operations—Our profitability may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices"*.

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The following table summarises the roads and railways that are expected to become operational in the next five years that may compete with the expressway projects we have interests in:

Expressway	Potential competing road and railways (expected year of operation)	Potential Impact
Baojin Expressway	<ul style="list-style-type: none"> • S70 Beijing New Airport North Line Expressway Zhuozhou Section and Langfang Section (2019) • S65 Beijing New Airport South Exit Expressway (2019) • S72 Tangshan-Langfang Expressway Langfang Section (2019) • S31 Taihangshan Expressway Laiqu Section (2019) • G0211 Tianjin-Shijiazhuang Expressway (2021) 	Possible diversion of traffic
Tangjin Expressway	<ul style="list-style-type: none"> • S51 Qian'an City-Caofeidian Expressway (2018) 	Possible diversion of traffic
Changyi Expressway	<ul style="list-style-type: none"> • Yiyang-Loudi Expressway (2017) • Changsha-Yiyang Expressway Parallel Line (2019) • Yiyang-Changde Expressway Parallel Line (2020) • Chongqing-Changsha-Xiamen High Speed Rail (2021) 	Possible diversion of traffic
Longcheng Expressway	No planned construction of additional material competing road	N/A
Machao Expressway	<ul style="list-style-type: none"> • G42S Beiyang Expressway Chaohu to Wuwei Section (2018) • S11 Wuhu Yangtze Highway Second Bridge (2018) • S05 Ning Xuan Hang Expressway Li Bridge to Xuan Cheng Section (2018) 	Possible diversion of traffic

See “*The Expressway Projects—Competition—Existing and potential competing roads*” for more details.

COMPETITIVE STRENGTHS

The Directors believe that, with over two decades of experience in the PRC toll road infrastructure industry, the Group has developed the following strengths and competitive advantages:

- Geographically diversified portfolio of expressways strategically located in the PRC;
- A mix of expressways at different stages of their life cycles providing stable cash flows and earning growth potential;
- Benefits from high barriers to competition and the expressways’ territorial features and strategic locations;
- Operational and cost efficiencies;

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- Strategically adopted the joint venture business model and leveraging strong partnerships with local highway bureaus and governments; and
- Experienced and stable management actively involved in the management of the Expressway JVs.

See “*Business—Strengths and Strategies—Competitive Strengths*” for more details.

BUSINESS STRATEGIES

The Group aims to increase the returns of our existing and future projects through implementing a combination of the following strategies:

- Further improve the operational and cost efficiencies and maintain competitiveness of the existing expressways;
- Strategically pursue value-enhancing acquisitions in expressways and capitalise on opportunities from the “One Belt, One Road” initiative; and
- Optimise overall capital structure of the Group.

DISTRIBUTION POLICY

As reflected in a resolution of the Board passed on 19 June 2017, being the date of adoption of the Bye-laws, it is the current intention of the Board to declare and distribute interim and final dividends aggregating not less than 90% of the Group Distributable Income (as defined below) in respect of each financial year.

“Group Distributable Income” means the audited consolidated profit before taxation attributable to the Company for the relevant financial year or the relevant distribution period (as the case may be) after:

- (a) eliminating the effects of the Adjustments for that financial year or period;
- (b) adding the Group’s share of depreciation and amortisation charges of its joint ventures (to the extent distributions may be made by the joint ventures under applicable laws in connection with any reduction of profits as a result of those charges);
- (c) deducting the actual amount of taxes paid for that financial year or period;
- (d) deducting profit attributable to non-controlling interests in that financial year or period;
- (e) deducting an amount equal to any amounts paid and the Group’s share of such amounts paid by its joint ventures for property, plant and equipment or any interest and other expenses that have been capitalised in that financial year or period;
- (f) making adjustments in connection with the external debt obligations of the Group and the Group’s share of external debt obligations of its joint ventures (other than shareholders loans due to the Group), including any planned refinancing or incremental debt financing, by (i) adding any net cash inflow or deducting any net cash outflow, in each case from financing activities for the relevant financial year or period and (ii) deducting amounts to be set aside for the purpose of repayment of principal amounts borrowed and/or compliance with any debt covenants and the estimated amount of interest and financing costs payable (net of estimated amounts of interest receivable);
- (g) at the discretion of the Board, deducting a sum equal to the aggregate of any amounts to be set aside for (i) the working capital requirements of the Group and its joint ventures; and (ii) for capital expenditure of the Group and its joint ventures,

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including any budget for acquisition of, or further investment in, new projects, whether such amounts are to be advanced or paid by capital injection by the Group into the joint ventures (net of expected repayments); and

- (h) in relation to any divestment of interests in toll roads recognised in that financial year or period, eliminating any profits or losses recognised as a result of such divestments but adding proceeds from such divestments, net of expenses.

“Adjustments” refer to adjustments of certain items which are charged or credited to the consolidated statement of profit or loss of the Group for the relevant financial year or the relevant distribution period (as the case may be), being:

- unrealised revaluation gains;
- impairment of goodwill/recognition of negative goodwill;
- material non-cash gains/losses; and
- depreciation and amortisation.

Subject to compliance with all applicable laws of Bermuda, the Bye-laws and the availability of distributable reserves, the Board may declare and distribute such additional amounts as the Board in its discretion determines.

The Company currently intends to make distributions to the Registered Shareholders on a semi-annual basis (save that only one distribution will be made in respect of the period from the Listing Date to 31 December 2017), and the first distribution following Listing is expected to be paid by the Group no later than 30 June 2018 after the announcement of the results of the Group for the year ending 31 December 2017.

Distributions will be declared in Hong Kong dollars. See “*Distributions*” for more details.

The above distribution policy is a statement of the current intention of the Board only. It is not a legally binding obligation of the Board, the Company, the Directors, the Group, the Expressway JVs or Joint Sponsors and is subject to change.

The form, frequency and amount of future distributions (if any) will depend on the business, financial condition and results of operations of the Group and the expressway joint ventures that the Group is interested in, the distribution ratios of the Group as set out in the joint venture contracts for the expressway joint ventures that the Group is interested in, provisions of applicable laws and regulations and many other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice. If the distribution policy were to be changed in the future, the Group will issue an announcement describing the relevant change. **The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution will be determined by the Board in its discretion; and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant financial year (or other period in respect of which the distribution is made) or proportionate to the Group’s distributable income in respect of the relevant financial year.**

As of 31 December 2016, the Company had no distributable reserves as the Reorganisation had not then been completed.

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TRAFFIC AND REVENUE FORECAST BY WB GROUP

	For the years ending 31 December									
	2017		2018		2019		2020		2021	
	Average Daily Traffic Volume	Average Daily Revenue (RMB)	Average Daily Traffic Volume	Average Daily Revenue (RMB)	Average Daily Traffic Volume	Average Daily Revenue (RMB)	Average Daily Traffic Volume	Average Daily Revenue (RMB)	Average Daily Traffic Volume	Average Daily Revenue (RMB)
Baojin Expressway	61,750	2,051,130	68,572	2,306,352	74,287	2,437,990	80,372	2,626,630	83,586	2,663,778
Tangjin Expressway	50,879	1,607,596	56,392	1,776,088	61,480	1,911,982	68,414	2,130,561	75,035	2,323,903
Changyi Expressway	70,750	1,888,832	76,646	2,029,143	82,825	2,160,097	87,389	2,204,495	82,559	2,096,441
Longcheng Expressway	19,463	835,251	21,697	921,782	24,956	1,068,453	28,866	1,281,890	31,038	1,368,276
Machao Expressway	23,561	581,638	26,801	645,111	30,397	718,430	35,352	840,696	39,510	929,230

See “Appendix III—Traffic Study Report—Traffic and Revenue Forecast Results” for more information and traffic and revenue forecast for years after 2021.

KEY ASSUMPTIONS USED BY WB GROUP IN ITS TRAFFIC AND REVENUE FORECASTS

Expressway	Key Assumptions
Baojin Expressway	<p>Forecast period: 2017 to September 2033</p> <p>Average annual GDP growth for relevant provinces^{1,2:}</p> <ul style="list-style-type: none"> • 6.5%-8.5% (2017-2020)³ • 5.0%-6.5% (2021-2025), 3.5%-4.5% (2026-2030), 3.0% (2031-2035)⁴ <p>Road and rail network^{5:}</p> <ul style="list-style-type: none"> • <u>Traffic attraction impact:</u> G18 Rongcheng-Wuhai Expressway Laiyuan Section (2017) is expected to have positive impact on the traffic flow of Baojin Expressway • <u>Traffic diversion impact:</u> S70 Beijing New Airport North Line Expressway Zhuozhou Section and Langfang Section (2019), S65 Beijing New Airport South Exit Expressway (2019), S72 Tangshan-Langfang Expressway Langfang Section (2019), S31 Taihangshan Expressway Laiqu Section (2019), G0211 Tianjin-Shijiazhuang Expressway (2021), are expected to have a negative impact on the traffic flow of Baojin Expressway • No new roads will be constructed after 2022⁶ <p>Toll rates: the current toll rates will remain unchanged until the end of the concession period</p> <p>See “Appendix III—Traffic Study Report—Baojin Expressway” for more information.</p>
Tangjin Expressway	<p>Forecast period: 2017 to January 2023</p> <p>Average annual GDP growth for relevant provinces^{1,2:}</p> <ul style="list-style-type: none"> • 6.5%-8.5% (2017-2020)³ • 5.0%-6.5% (2021-2025)⁴ <p>Road and rail network^{5:}</p> <ul style="list-style-type: none"> • <u>Traffic attraction impact:</u> S53 Qianxi-Chifeng Expressway (2020), G1N Beijing-Qinhuangdao Expressway Zunhua Section to Qinhuangdao Section and Da’an Town Section to Pingan Town Section (2020), S72 Tangshan-Langfang Expressway Tangshan Section (2020), S62 Beidaihe International Airport Expressway (2020), S9962 Qinhuangdao West Expressway (2020) are expected to have a positive impact on the traffic flow of Tangjin Expressway • <u>Traffic diversion impact:</u> S51 Qian’an City-Caofeidian Expressway (2018) is expected to have negative impact on the traffic flow of Tangjin Expressway • No new roads will be constructed after 2022⁶ <p>Toll rates: the current toll rates will remain unchanged until the end of the concession period</p> <p>See “Appendix III—Traffic Study Report—Tangjin Expressway” for more information.</p>

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Expressway	Key Assumptions
Changyi Expressway	<p>Forecast period: 2017 to October 2024</p> <p>Average annual GDP growth for relevant provinces^{1,2}:</p> <ul style="list-style-type: none">• 7.0%-10.0% (2017-2020)³• 6.0%-7.0% (2021-2025)⁴ <p>Road and rail network⁵:</p> <ul style="list-style-type: none">• Traffic diversion impact: Yiyang-Loudi Expressway (2017), Changsha-Yiyang Expressway Parallel Line (2019), Yiyang-Changde Expressway Parallel Line (2020) and Chongqing-Changsha-Xiamen High Speed Rail (2021) are expected to have a negative impact on the traffic flow of Changyi Expressway• No new roads will be constructed after 2022⁶ <p>Toll rates: the current toll rates will remain unchanged until the end of the concession period</p> <p>See “Appendix III—Traffic Study Report—Changyi Expressway” for more information.</p>
Longcheng Expressway	<p>Forecast period: 2017 to July 2042</p> <p>Average annual GDP growth for relevant provinces^{1,2}:</p> <ul style="list-style-type: none">• 6.5%-8.0% (2017-2020)³• 5.0%-6.5% (2021-2025), 4.0%-5.0% (2026-2030), 3.0%-3.5% (2031-2035), 2.0%-2.5% (2036-2040), 1.5%-2.0% (2041-2045)⁴ <p>Road and rail network⁵:</p> <ul style="list-style-type: none">• Traffic attraction impact: Qi County-Lishi Expressway (2019), Taiyuan West, East and North Second Ring Expressway (2020) and Yuci Dongyang-Xiyang Longpo Expressway (2020) are expected to have a positive impact on the traffic flow of Longcheng Expressway• No new roads will be constructed after 2022⁶ <p>Toll rates: the current toll rates will remain unchanged until the end of the concession period</p> <p>See “Appendix III—Traffic Study Report—Longcheng Expressway” for more information.</p>
Machao Expressway	<p>Forecast period: 2017 to December 2043</p> <p>Average annual GDP growth for relevant provinces^{1,2}:</p> <ul style="list-style-type: none">• 7.0%-9.0% (2017-2020)³• 5.5%-7.0% (2021-2025), 4.0%-5.5% (2026-2030), 3.0%-4.0% (2031-2035), 2.0%-2.5% (2036-2040), 1.5%-2.0% (2041-2045)⁴ <p>Road and rail network⁵:</p> <ul style="list-style-type: none">• Traffic attraction impact: G42S Yuewu Expressway East Extension and Anqing Extension (2020) and S22 Beiyangjiang Expressway Wuwei to Anqing Section (2022) are expected to have a positive impact on the traffic flow of Machao Expressway• Traffic diversion impact: G42S Beiyangjiang Expressway Chaohu to Wuwei Section (2018), S11 Wuhu Yangtze Highway Second Bridge (2018) and S05 Ning Xuan Hang Expressway Li Bridge to Xuan Cheng Section (2018) are expected to have a negative impact on the traffic flow of Machao Expressway• No new roads will be constructed after 2022⁶ <p>Toll rates: the current toll rates will remain unchanged until the end of the concession period</p> <p>See “Appendix III—Traffic Study Report—Machao Expressway” for more information.</p>

¹ The future GDP growth assumptions for each expressway cover the provinces and municipalities which the expressway passes through, and adjacent provinces and municipalities with significant origin-destination trips. See “Appendix III—Traffic Study Report—Basic Approach and Key Assumptions” for assumptions on the relevant provinces’ and municipalities’ future GDP growth.

² In order to evaluate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, port throughputs (if applicable), population, car ownership and income per capita were closely studied by WB Group. According to WB Group, it was found that traffic growth was mainly correlated to GDP growth. See “Appendix III—Traffic Study Report—Basic Approach and Key Assumptions” for more details.

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- ³ The short-term real GDP growth patterns in 2017 to 2020 are estimated by reference to the historical average growth and the economic growth target of the Thirteenth Five-Year Plans (2016-2020) of China and certain provinces and municipalities.
- ⁴ WB Group has assumed that, consistent with global experience, the GDP growth rates subsequent to the periods covered by the Thirteenth Five-Year Plans are expected to trend down as economies become increasingly mature and with a larger economic base. The assumptions are also made with reference to sources of global economic projections such as the Organisation for Economic Co-operation and Development.
- ⁵ In order to adequately assess the impacts of future highway network changes in the relevant provinces, WB Group made use of existing expressway network maps and official expressway network plans of the provinces which the expressways pass through as the starting point, and has also considered the provinces' highway programmes stipulated in the Thirteenth Five-Year Plans.
- ⁶ WB Group has made this assumption on the basis that there is no official source available for planned highway infrastructure projects after the year indicated.

KEY RISKS AND UNCERTAINTIES

There are risks and uncertainties involved in the Group's business. The risks and uncertainties can be categorised as set out below, which also highlight some of the key risks to the Group's business. See "*Risk Factors*" for more details:

(a) Risks relating to the Group's business and operations

- **The Group operates in an industry with considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the Expressway JVs, which could materially and adversely affect our business, results of operations and financial condition. For example, in 2013, the Hebei Provincial Government issued a notice that required early cessation of toll collection by 15 highways within the province. As a result, one highway in that province which the Remaining RKI Group held an interest in ceased its toll collection about 8 months prior to the expiry of the joint venture that operated the highway.**
- The Group does not hold a majority or controlling interest in the expressways.
- Reduction of traffic volume or the rate of growth in traffic volume could adversely affect the Group.
- The profitability of the Group may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices.
- Toll receipts may be affected by the integrity of the toll collection system.

(b) Risks relating to the amount and stability of the distributions

- The Company may not be able to pay or maintain distributions to Shareholders and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Expressway JVs, the cash distributions received by the Group from the Expressway JVs, and the cash flows available for distribution of the Group.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present certain financial information of the Group and the Expressway JVs as of and for the years ended 31 December 2014, 2015 and 2016 as extracted from and to be read in conjunction with the Accountants' Report on Historical Financial Information in Appendix I.

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Unless otherwise noted, the Group's financial information is prepared in conformity with HKFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The Group's development, operation and management of the expressways are conducted through joint ventures. The Group does not consolidate the joint ventures' toll revenue and expenses under the relevant HKFRS accounting rules, but results and net assets of the joint ventures are incorporated in the Company's combined financial statements using the equity method of accounting.

Pursuant to the Reorganisation, RKC, a subsidiary of the Company, disposed of the highway business on 28 September 2016. As a result, the highway business is presented as discontinued operation while the expressway business that is conducted through joint ventures is presented as continuing operations.

Selected Items from the Combined Statements of Profit or Loss of the Group

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Continuing operations			
Other income	28,954	25,464	20,942
Share of results of joint ventures	242,777	307,921	452,683
Profit before taxation	214,193	276,731	412,287
Profit for the year from continuing operations	185,091	250,524	387,857
Group's aggregate proportionate toll revenue from the Expressway JVs	925,715	1,064,721	1,210,678
Group's aggregate proportionate EBITDA of the Expressway JVs ⁽¹⁾	768,026	874,238	1,014,371

Note:

(1) EBITDA is not an HKFRS measure. See "Financial Information—Historical Non-HKFRS Financial Ratios" for more details.

Selected Items from the Summarised Financial Information of the Expressway JVs

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2014						
Toll revenue (net of business tax or value-added tax)	706,207	598,413	652,852	207,386	89,710	2,254,568
EBITDA ⁽¹⁾	573,438	495,590	545,014	170,187	83,436	1,867,665
Profit (loss) and total comprehensive income (expenses) for the year	336,349	271,496	232,318	(145,666)	(24,181)	670,316
For the year ended 31 December 2015						
Toll revenue (net of business tax or value-added tax)	772,250	668,414	709,610	242,024	186,899	2,579,197
EBITDA ⁽¹⁾	619,016	553,905	583,667	186,366	172,987	2,115,941
Profit (loss) and total comprehensive income (expenses) for the year	355,484	302,888	263,153	(107,670)	9,497	823,352
For the year ended 31 December 2016						
Toll revenue (net of business tax or value-added tax)	794,770	612,174	749,776	316,630	220,233	2,693,583
EBITDA ⁽¹⁾	669,670	502,484	634,385	253,508	193,935	2,253,982
Profit and total comprehensive income for the year	398,769	239,192	317,299	21,750	36,863	1,013,873

Note:

(1) EBITDA is not an HKFRS measure. See "Financial Information—Historical Non-HKFRS Financial Ratios" for more details.

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Selected Items from the Combined Statements of Financial Position of the Group

	As of 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current Assets	1,080,843	1,184,675	1,219,126
Non-current Assets	4,212,091	3,778,147	3,317,200
Interests in Joint Ventures	4,004,726	3,628,714	3,224,190
Current Liabilities	434,601	468,142	12,840
Non-current Liability	42,529	26,905	22,200
Total Equity	4,815,804	4,467,775	4,501,286

Selected Items from the Summarised Financial Information of the Expressway JVs

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2014						
Current Assets						
Bank balances and cash	162,761	120,186	131,360	354,800	21,270	790,377
Current Liabilities						
Loans from joint venture partners	—	—	51,624	196,701	38,071	286,396
Bank borrowings	—	—	51,624	177,665	126,904	356,193
Non-current Liabilities						
Loans from a joint venture partner	—	—	206,460	—	1,890,875	2,097,335
Bank borrowings	—	—	206,460	3,362,944	—	3,569,404
At 31 December 2015						
Current Assets						
Time deposit	—	—	48,780	—	—	48,780
Bank balances and cash	247,414	296,002	82,208	130,584	48,366	804,574
Current Liabilities						
Loans from joint venture partners	—	—	49,610	189,024	—	238,634
Bank borrowings	—	—	49,610	24,390	16,220	90,220
Non-current Liabilities						
Loans from a joint venture partner	—	—	148,793	—	—	148,793
Bank borrowings	—	—	148,792	3,365,854	2,073,780	5,588,426
At 31 December 2016						
Current Assets						
Time deposit	—	—	45,558	—	—	45,558
Bank balances and cash	240,923	359,971	109,215	161,587	65,761	937,457
Current Liabilities						
Loans from joint venture partners	—	—	46,332	176,538	—	222,870
Bank borrowings	—	—	46,332	45,558	18,793	110,683
Non-current Liabilities						
Loans from a joint venture partner	—	—	92,631	—	—	92,631
Bank borrowings	—	—	92,631	3,097,950	1,889,521	5,080,102

Selected Items from the Summarised Combined Statements of Cash Flows of the Group

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net Cash Used in Operating Activities	(75,952)	(94,988)	(61,820)
Net Cash from Investing Activities	93,196	482,250	615,516
Net Cash Used in Financing Activities	(76,642)	(326,039)	(347,662)
Cash Distributions Received from the Expressway JVs	463,346	468,817	520,431

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Key Financial Ratios

The following tables set out certain key financial ratios for our Group in 2014, 2015 and 2016. See “*Financial Information—Historical Non-HKFRS Financial Ratios*” for more details.

	2014	2015	2016
Group’s aggregate proportionate EBITDA margin ⁽¹⁾	83.0%	82.1%	83.8%
Group’s aggregate proportionate return on net assets ⁽²⁾	6.8%	9.2%	15.1%
Group’s aggregate proportionate total debt to total assets ⁽³⁾	41.2%	42.2%	42.3%

Notes:

- (1) Group’s aggregate proportionate EBITDA margin = Group’s aggregate proportionate EBITDA from the Expressway JVs for the year / Group’s aggregate proportionate toll revenue of the Expressway JVs for that year * 100%.
- (2) Group’s aggregate proportionate return on net assets = Group’s share of results of joint ventures for the year / Group’s aggregate proportionate net assets of the Expressway JVs at the end of that year * 100%
- (3) Group’s aggregate proportionate total debt to total assets = Group’s aggregate proportionate total debt of the Expressway JVs at the end of the year / Group’s aggregate proportionate total assets of the Expressway JVs at the end of that year * 100%. Total debt includes bank borrowings and loans from joint venture partner(s).

OFFER STATISTICS

The statistics in the following table are based on the assumption that the Global Offering and the Capitalisation Issue have been completed and 310,000,000 Shares have been newly issued pursuant to the Global Offering.

	Based on minimum indicative Offer Price of HK\$4.00 per Share	Based on maximum indicative Offer Price of HK\$5.50 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$6,200.0 million	HK\$8,525 million
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾	HK\$3.7	HK\$4.0

Notes:

- (1) The calculation of market capitalisation is based on 1.55 billion Shares issued and outstanding following the Global Offering.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company are arrived at by adding the estimated net proceeds from the Global Offering to the audited combined net tangible assets of our Group attributable owners of the Company as at 31 December 2016. See “*Appendix II—Unaudited Pro Forma Financial Information—A. Statement of Unaudited Pro Forma Adjusted Combined Net Tangible Assets.*” The audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016 are extracted from the Accountants’ Report on Historical Financial Information set out in Appendix I to this prospectus. A material part of the audited combined net tangible assets of our Group attributable to owners of the Company represents the Group’s interest in the Expressway JVs, which is in turn derived from the Expressway JVs’ concession intangible assets. The audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016 included the carrying amount of interests in joint ventures of HK\$3,224,190,000. As at the same date, the Group’s proportionate share of the Expressway JVs’ concession intangible assets based on its equity ratio in the respective Expressway JVs was HK\$5,361,359,000.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company in the table above has not been adjusted to show the effect of the dividend of HK\$740,000,000 declared by RKC on 19 June 2017. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share would be further adjusted to be HK\$3.2 (based on an offer price of HK\$4.00 per Share) and HK\$3.5 (based on an offer price of HK\$5.50 per Share).

USE OF PROCEEDS

Assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), the Group estimates that it will receive net proceeds of approximately HK\$1,391.1 million from the Global Offering after deducting (i) the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering, and (ii) the underwriting commissions and other estimated expenses (excluding the discretionary fee) in connection with the Global Offering payable by the Company. In line with our business strategies, we intend to use the net proceeds from the Global Offering as follows:

- HK\$1,252.0 million, representing approximately 90% of the total net proceeds from the Global Offering, will be used to acquire new expressway projects and

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planned expansion of existing expressway projects in a 60:40 ratio (HK\$751.2 million for acquisition and HK\$500.8 million for expansion). We will focus on acquiring expressway projects in China, where we believe expressways may become more attractive due to the increased traffic flow as a result of the “One Belt, One Road” initiative. We will also look into opportunities in other developing countries in South East Asia that will benefit from the “One Belt, One Road” initiative. As at the Latest Practicable Date, we have not identified the projects that we intend to acquire. See “*Business—Our Operating Plan—Project selection criteria and evaluation process*” and “*The Expressway Projects—Recent developments*” for more details.

- HK\$139.1 million, representing approximately 10% of the total net proceeds from the Global Offering, will be used to fund our working capital and for general corporate purposes.

In the event the net proceeds to be used to acquire new expressway projects and planned expansions of existing expressway projects as described above are still not deployed by the time of our first distribution following Listing, unused net proceeds of between HK\$270.0 million and HK\$370.0 million may be used to fund our first distribution following Listing to Shareholders. This distribution is expected to be paid by the Group no later than 30 June 2018 after the announcement of the results of the Group for the year ending 31 December 2017.

The Company will not receive any of the proceeds from the Sale of the Sale Shares by the Selling Shareholder in the Global Offering. Assuming that the Offer Price is HK\$4.75 per Share, we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$502.7 million from the Global Offering after deducting the underwriting commissions payable by the Selling Shareholder and any applicable stamp duty in connection with the sale of the Sale Shares in the Global Offering (excluding the discretionary fee). See “*Future Plans and Use of Proceeds*” for more details.

RECENT DEVELOPMENTS

The proposals to initiate the initial phases to widen Baojin and Tangjin Expressways have been approved by the relevant Expressway JVs’ boards of directors. The initial phases typically involve conducting a feasibility study and preparing for a widening plan for each of the relevant expressways and the Company currently does not expect a significant cash expenditure for these initial phases. Once the initial phases are completed, further approvals by the relevant government authorities as well as the Expressway JVs’ boards of directors are required before the expressways are widened. We also aim to have the relevant Expressway JV’s concession period extended should the Expressway JV invest in the widening.

As far as the Directors are aware, apart from a dividend of HK\$740.0 million declared by RKC to the Remaining RKI Group on 19 June 2017 to settle the outstanding current accounts between the Remaining RKI Group and the Group by way of set off against payment obligations of RKC, there have been no material changes in the financial or trading position of the Group or the general economic and market conditions, or legal and regulatory regimes, in the jurisdiction or the industries in which the Group and the Expressway JVs operate that have materially and adversely affected the Group’s and the Expressway JVs’ businesses, operations or financial position (including the Expressway JVs’ overall average daily traffic flow and their average daily toll receipts) since 31 December 2016 being the date up to which the latest published audited combined financial statements of the Group were made, and up to the date of this prospectus.

RELATIONSHIP WITH RKI

RKI is an investment holding company whose shares have been listed on the Stock Exchange since 4 July 1996. Through its subsidiaries, the principal activities of the RKI Group

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were investment in, and the development, operation and management of, property development and toll road projects. As part of the Reorganisation, all of RKI's interests in toll road projects have been transferred to the Group, with the exception of the Excluded Highway.

The Listing is a spin-off by RKI of the Group's expressway business, which constitutes a major disposal for RKI under Chapter 14 of the Listing Rules and requires the approval of the shareholders of RKI (which was obtained at RKI's general meeting held on 7 June 2017). The Listing will allow the Remaining RKI Group to focus on investment in, and the development, operation and management of, property development in the PRC, Hong Kong and elsewhere and to continue to manage the Excluded Highway until the expiry or early termination of the operating rights held by the Remaining RKI Group. Our Company will focus on investment in, and the development, operation and management of, expressway projects. This will enable the two separate management teams to adopt different business strategies and enhance their ability to focus on opportunities specific to each group. The Listing will also enable each group to establish its own profile thereby attracting different investors.

Immediately following the Listing, RKI will indirectly own (though its wholly-owned subsidiary) approximately 73% of the Group's Shares in issue (assuming that the Over-allotment Option is not exercised) and will be our holding company on Listing.

Our Directors are satisfied that, on the basis of (i) management independence; (ii) financial independence; (iii) operational independence; and (iv) delineation of businesses, the Group is capable of operating its business independently of RKI after Listing. See "*Relationship with the Controlling Shareholder*" for more details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, and other fees incurred in connection with the Listing and the Global Offering. Assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), the total expenses related to Listing to be borne by us (excluding the discretionary incentive fee) are estimated to be approximately HK\$81.4 million, of which approximately HK\$10.0 million has been expensed as our listing expenses for the year ended 31 December 2016, and HK\$45.2 million will be capitalised and HK\$26.2 million will be expensed as our listing expenses for the year ending 31 December 2017. Separate and apart from the listing expenses borne by us, assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), the total expenses related to Listing to be borne by the Selling Shareholder (excluding the discretionary incentive fee) are estimated to be HK\$12.6 million.

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In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“AIC”	the Administration for Industry and Commerce
“AIG-AIF”	AIG Asian Infrastructure Fund L.P. or (in relation to references to it as a party to a contract) AIG Asian Infrastructure Management Limited as general partner for AIG Asian Infrastructure Management L.P., an Independent Third Party
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), BLUE Application Form(s) and GREEN Applications Form(s), or where the context so requires, any of them
“Assured Entitlement”	the entitlement of the Qualifying RKI Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in RKI on the Record Date
“Available Reserved Shares”	has the meaning ascribed to it in “ <i>Structure of the Global Offering—The Preferential Offering—Basis of Allocation for Applications for Reserved Shares</i> ”
“Baojin Expressway”	National Expressway G18 Baoding-Tianjin Expressway, Hebei Province
“Baojin Expressway JV”	Hebei Baofa Expressway Company Limited (河北保發高速公路有限公司), Hebei Baofeng Expressway Company Limited (河北保豐高速公路有限公司), Hebei Baohui Expressway Company Limited (河北保惠高速公路有限公司), Hebei Baojie Expressway Company Limited (河北保捷高速公路有限公司), Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司), Hebei Baoli Expressway Company Limited (河北保利高速公路有限公司), Hebei Baoming Expressway Company Limited (河北保明高速公路有限公司), Hebei Baosheng Expressway Company Limited (河北保升高速公路有限公司), Hebei Baoyi Expressway Company Limited (河北保怡高速公路有限公司) and Hebei Baoyu Expressway Company Limited (河北保裕高速公路有限公司), each a joint venture established in the PRC on 3 September 2003 and which collectively operate Baojin Expressway

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“Baojin Expressway JV Contract”	the joint venture contracts entered into by us and the Baojin Expressway JV Partner dated 27 June 2003
“Baojin Expressway JV Partner”	Hebei Provincial Expressway Development Company (河北省高速公路開發有限公司), a company established in the PRC
“Beneficial RKI Shareholder”	any beneficial owner of RKI Shares whose RKI Shares are registered, as shown on the register of members of RKI, in the name of a registered RKI Shareholder on the Record Date
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“ BLUE Application Form(s)”	the application form(s) to be sent to Qualifying RKI Shareholders to subscribe for Reserved Shares pursuant to the Preferential Offering
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“Bye-laws”	the bye-laws of our Company, conditionally adopted on 19 June 2017 as amended from time to time, a summary of which is included in Appendix IV to this Prospectus
“Capitalisation Issue”	the issue of 740,000,000 new Shares to New Select, subject to the Spin-off Condition and to be effected simultaneously with the Listing, by way of capitalisation of amounts standing to the credit of the share premium account of our Company, such Shares ranking <i>pari passu</i> in all respects with the Shares in issue and the New Shares as at the time of Listing
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

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“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changyi Deposit Service Agreement”	the agreement dated 5 April 2017 between Changyi Expressway JV and Hunan Finance Company in respect of the provision of deposit services by Hunan Finance Company to Changyi Expressway JV
“Changyi Expressway”	National Expressway G5513 Changsha-Yiyang Expressway, Hunan Province
“Changyi Expressway JV”	Hunan Changyi (Cangyi) Expressway Company Limited (湖南長益(滄益)高速公路有限公司), Hunan Changyi (Ningheng) Expressway Company Limited (湖南長益(寧衡)高速公路有限公司), Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司), Hunan Changyi (Zijiang No. 2 Bridge) Expressway Company Limited (湖南長益(資江二橋)高速公路有限公司), Hunan Changyi (Baining) Expressway Company Limited (湖南長益(白寧)高速公路有限公司) and Hunan Changyi (Hengcang) Expressway Company Limited (湖南長益(衡滄)高速公路有限公司), each a joint venture established in the PRC on 14 October 1997 and which collectively operate Changyi Expressway
“Changyi Expressway JV Contract”	the joint venture contracts entered into by us and the Changyi Expressway JV Partner dated 29 August 1997, as amended
“Changyi Expressway JV Partner”	Hunan Expressway Construction Development Company (湖南省高速公路建設開發總公司), a company established in the PRC
“Changyi Toll Settlement Agreement”	the agreement dated 20 March 2017 between Changyi Expressway JV and Changyi Expressway JV Partner (in its capacity as the operator of the regional toll network settlement centre for expressways in the Hunan Province) in relation to the payment of administrative fees for regional toll network settlement services in respect of tolls for Changyi Expressway
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Company” or “our Company”	RKE International Holdings Limited (勁投國際控股有限公司*), incorporated in Bermuda on 16 November 2016 as an exempted company with limited liability
“Controlling Shareholder(s)”	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to RKI and its wholly-owned subsidiary New Select through which it holds our Shares
“Deed of Non-competition”	the deed of non-competition dated 19 June 2017 executed by RKI in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time), details of which are set out in “ <i>Relationship with the Controlling Shareholder—Independence from the Controlling Shareholder—(d) Delineation of Businesses</i> ”
“Deloitte”	Deloitte Touche Tohmatsu, Certified Public Accountant
“Director(s)”	director(s) of our Company
“DPS”	distribution per Share
“E&M”	Electrical and Mechanical
“EIT”	enterprise income tax of the PRC
“EIT Rules”	the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), promulgated on 6 December 2007 and effective on 1 January 2008
“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Excluded Highway”	Suzhou Highway
“Expressway JV(s)”	Baojin Expressway JV, Tangjin Expressway JV, Changyi Expressway JV, Longcheng Expressway JV and/or Machao Expressway JV, as applicable
“Expressway JV Contract(s)”	the contract(s) entered into by us and the relevant Expressway JV Partner(s) in relation to the establishment, management and operation of relevant Expressway JV

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“Expressway JV Partner(s)”	the joint venture partner(s) of the Expressway JV(s)
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries, (where the context requires) as if the Reorganisation had been completed
“Group Distributable Income”	the Group’s distributable income as defined in “ <i>Distributions</i> ”
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HK dollars” or “Hong Kong dollar”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

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“Hong Kong Offer Shares”	the 41,850,000 Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in “ <i>Structure of the Global Offering</i> ”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “ <i>Structure of the Global Offering</i> ”) at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in “ <i>Structure of the Global Offering—The Hong Kong Public Offering</i> ”
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “ <i>Underwriting—Hong Kong Underwriters</i> ”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 26 June 2017 relating to the Hong Kong Public Offering and entered into by our Company, RKI, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “ <i>Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement</i> ”
“HPEM Funds”	certain investment funds managed by HSBC Private Equity Management Limited (later renamed as HPEF Capital Partners Limited), which was a member of The Hongkong and Shanghai Banking Corporation Limited group of companies
“Hunan Finance Company”	Hunan Expressway Group Finance Company (Limited) (湖南高速集團財務有限公司), a company established in the PRC and a 60% owned subsidiary of Changyi Expressway JV Partner
“Independent Third Party(ies)”	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules to the knowledge of our Directors after all reasonable enquiries
“International Offer Shares”	the 376,650,000 Shares initially offered by our Company for subscription and offered by the Selling Shareholder for sale (including 43,900,000 Shares being offered under

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	the Preferential Offering) pursuant to the International Offering together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option (subject to adjustment as described in “ <i>Structure of the Global Offering</i> ” in this prospectus)
“International Offering”	the offer of the International Offer Shares (a) in the United States or to U.S. persons, in each case only to persons who are both QIBs and QPs or (b) outside the United States and to non-U.S. persons in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “ <i>Structure of the Global Offering</i> ” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 30 June 2017 by, among others, our Company, RKI, the Selling Shareholder and the International Underwriters in respect of the International Offering including the Preferential Offering, as further described in “ <i>Underwriting—The International Offering</i> ”
“Intersafe”	Intersafe Investments Limited (路安投資有限公司), a company incorporated in the BVI with limited liability on 18 January 1996, a subsidiary of the Company
“Jadeland Global”	Jadeland Global Limited (置翠環球有限公司), a company incorporated in the BVI with limited liability on 28 June 2016, a subsidiary of RKI
“Joint Bookrunners”	J.P. Morgan Securities (Asia Pacific) Limited (in respect of the Hong Kong Public Offering), J.P. Morgan Securities plc (in respect of the International Offering), The Hongkong and Shanghai Banking Corporation Limited and DBS Asia Capital Limited
“Joint Global Coordinators”	J.P. Morgan Securities (Asia Pacific) Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Asia Capital Limited

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“Joint Lead Managers”	J.P. Morgan Securities (Asia Pacific) Limited (in respect of the Hong Kong Public Offering), J.P. Morgan Securities plc (in respect of the International Offering), The Hongkong and Shanghai Banking Corporation Limited and DBS Asia Capital Limited
“Joint Sponsors”	J.P. Morgan Securities (Far East) Limited, HSBC Corporate Finance (Hong Kong) Limited and DBS Asia Capital Limited
“JV”	joint venture
“JZPI”	Jinzhong Public Infrastructure Investment Company Limited (晉中市公用基礎設施投資控股(集團)有限公司), a company established in the PRC, one of the Longcheng Expressway JV Partners
“Latest Practicable Date”	17 June 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around Friday, 7 July 2017, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Longcheng Expressway”	Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian Expressway, Shanxi Province
“Longcheng Expressway JV”	Jinzhong Longcheng Expressway Company Limited (晉中龍城高速公路有限責任公司), a joint venture established in the PRC on 15 January 2008 and which operates Longcheng Expressway
“Longcheng Expressway JV Contract”	the joint venture contract entered into by us and the Longcheng Expressway JV Partner dated 14 April 2011, as amended
“Longcheng Expressway JV Partner”	Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (晉中市公用基礎設施投資控股(集團)有限公司) (previously known as Jinzhong Public Infrastructure Investment and Construction Company Limited) (晉中市公用基礎設施投資建設有限責任公司), a company established in the PRC and Jinzhong Lutong Highway Development Company Limited (晉中路通公路開發有限公司), a company established in the PRC

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“Machao Expressway”	Provincial Expressway S24 Ma'anshan-Chaohu, Anhui Province
“Machao Expressway JV”	Anhui Machao Expressway Company Limited (安徽省馬巢高速公路有限公司), a joint venture established in the PRC on 6 December 2010 and which operate Machao Expressway
“Machao Expressway JV Contract”	the joint venture contract entered into by us and the Machao Expressway JV Partner dated 16 April 2014
“Machao Expressway JV Partner”	Anhui Transportation Holding Group Company Limited (安徽省交通控股集團有限公司) (previously Anhui Transportation Investment Group Company Limited (安徽省交通投資集團有限責任公司)), a company established in the PRC
“Machao Guarantees”	guarantees for loans (of an utilised amount of approximately HK\$1,578.1 million as at 31 December 2016 of which HK\$773.3 million was guaranteed by a member of the Remaining RKI Group) of the Machao Expressway JV as described under “Relationship with the Controlling Shareholder—Independence from the Controlling Shareholder—(b) Financial Independence”
“Machao Toll Settlement Agreement”	the agreement dated 1 January 2017 between Machao Expressway JV and Machao Toll Settlement Centre Operator in relation to the payment of administrative fee for regional toll network settlement services in respect of tolls for Machao Expressway
“Machao Toll Settlement Centre Operator”	Anhui Provincial Expressway Network Operation Company Limited (安徽省高速公路聯網運營有限公司), a direct wholly-owned subsidiary of Machao Expressway JV Partner
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon incorporation and as amended from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOT”	the Ministry of Transport of the PRC (中華人民共和國交通運輸部)

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“New Select”	New Select Global Limited (新選環球有限公司), a company incorporated in the BVI with limited liability on 12 October 2016 and a directly wholly-owned subsidiary of RKI, and a Controlling Shareholder
“New Shares”	the 310,000,000 New Shares to be offered for subscription by the Company under the Global Offering (subject to adjustment as described in “Structure of the Global Offering” in this prospectus)
“Non-Qualifying RKI Shareholders”	RKI Shareholders whose names appeared on the register of members of RKI on the Record Date and whose addresses as shown in such register are in any of the Specified Territories
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in “ <i>Structure of the Global Offering—Pricing and Allocation</i> ”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares (including the Reserved Shares), comprising both the New Shares and the Sale Shares together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option
“Ontex”	Ontex Investments Limited (安達投資有限公司), a company incorporated in the BVI with limited liability on 18 January 1996, a subsidiary of the Company
“Over-allotment Option”	the option expected to be granted by the Selling Shareholder to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 62,775,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in “ <i>Structure of the Global Offering</i> ”

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“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC EIT Law”	Law on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅法), promulgated on 16 March 2007 and effective on 1 January 2008 and further amended and effective on 24 February 2017
“PRC GAAP”	generally accepted accounting principles in the PRC
“Precious Wave”	Precious Wave Limited (寶濤有限公司), a company incorporated in the BVI with limited liability on 15 June 2007, a subsidiary of RKI
“Preferential Offering”	the preferential offering to the Qualifying RKI Shareholders of 43,900,000 Shares (representing approximately 10.5% of the Shares initially being offered under the Global Offering) as an Assured Entitlement out of the Shares being offered under the International Offering at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions set out in this prospectus and in the BLUE Application Form, as further described in “ <i>Structure of the Global Offering—The Preferential Offering</i> ”
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Selling Shareholder and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 30 June 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Selling Shareholder and our Company may agree, but in any event no later than Monday, 3 July 2017
“Principal Share Registrar”	Conyers Corporate Services (Bermuda) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering and the Preferential Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“QP”	a qualified purchaser as defined in Section 2(a)(51) of the U.S. Investment Company Act
“Qualifying RKI Shareholders”	RKI Shareholders, other than Non-Qualifying RKI Shareholders, whose names appeared on the register of members of RKI on the Record Date

DEFINITIONS

“Record Date”	22 June 2017, being the record date for determining the Assured Entitlement of the Qualifying RKI Shareholders to the Reserved Shares
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining RKI Group”	RKI and its subsidiaries (excluding our Group)
“Relevant Persons”	the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, RKI, the Selling Shareholder, any of their or the Company’s respective directors, officers or representatives of any other person involved in the Global Offering
“Reorganisation”	means our corporate reorganisation in preparation for this Listing as described in the paragraph headed “A. Further Information about our Company and our Group—5. Corporate reorganisation” in Appendix VI to this prospectus
“Reserved Shares”	the 43,900,000 Shares being offered to Qualifying RKI Shareholders (representing approximately 10.5% of the Shares initially being offered under the Global Offering), pursuant to the Preferential Offering as an Assured Entitlement, which are to be allocated out of the Shares being offered under the International Offering
“RKC”	Road King (China) Infrastructure Limited, a company incorporated in the BVI with limited liability on 5 October 1994, a subsidiary of the Company
“RKI”	Road King Infrastructure Limited, a company incorporated in Bermuda on 29 March 1996 as an exempted company with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01098), and a Controlling Shareholder
“RKI Shareholder(s)”	holder(s) of RKI Shares
“RKI Shares”	ordinary shares with a nominal value of HK\$0.10 each in the share capital of RKI
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Road Base”	Road Base Investments Limited (路基投資有限公司), a company incorporated in the BVI with limited liability on 10 November 1998, a subsidiary of the Company

DEFINITIONS

“Road Bond”	Road Bond Investments Limited (路邦投資有限公司), a company incorporated in the BVI with limited liability on 10 November 1998, a subsidiary of the Company
“Road Crown”	Road Crown Investments Limited (路冠投資有限公司), a company incorporated in the BVI with limited liability on 15 July 1997, a subsidiary of the Company
“Road Express”	Road Express Investments Limited (路捷投資有限公司), a company incorporated in the BVI with limited liability on 10 June 1997, a subsidiary of the Company
“Road Famous”	Road Famous Investments Limited (路發投資有限公司), a company incorporated in the BVI with limited liability on 18 March 1997, a subsidiary of the Company
“Road Glorious”	Road Glorious Investments Limited (路耀投資有限公司), a company incorporated in the BVI with limited liability on 15 July 1997, a subsidiary of the Company
“Road Grand”	Road Grand Investments Limited (路雄投資有限公司), a company incorporated in the BVI with limited liability on 25 March 1997, a subsidiary of the Company
“Road Link”	Road Link Investments Limited (路聯投資有限公司), a company incorporated in the BVI with limited liability on 10 June 1997, a subsidiary of the Company
“Road Rise”	Road Rise Investments Limited (路昇投資有限公司), a company incorporated in the BVI with limited liability on 21 September 1999, a subsidiary of the Company
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“Sale Shares”	the 108,500,000 Offer Shares to be offered for sale by the Selling Shareholder under the Global Offering together with, where relevant, up to an additional 62,775,000 Shares which may be sold by the Selling Shareholder pursuant to any exercise of the Over-allotment Option
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Selling Shareholder”	New Select, which legally and beneficially owns the entire issued share capital of RKE as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of our Company with a nominal value of HK\$0.10 each
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 June 2017, the principal terms of which are summarised in “D. Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sincere Mind”	Sincere Mind Management Limited (誠智管理有限公司), a company incorporated in the BVI with limited liability on 18 October 2005, a subsidiary of the Company
“Specified Territories”	in respect of the Preferential Offering, Canada, the U.S. or such other territory or territories which the Directors consider it necessary or expedient to exclude from the Preferential Offering on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Spin-off Condition”	the conditions as set out in “ <i>Structure of the Global Offering—the Hong Kong Public Offering—Conditions of the Hong Kong Public Offering</i> ”
“Stabilising Manager”	J.P. Morgan Securities (Asia Pacific) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between New Select and the Stabilising Manager on or about the Price Determination Date
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Suzhou Highway”	Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou Section)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tangjin Expressway”	National Expressway G25 Tangshan-Tianjin Expressway, Hebei Province

DEFINITIONS

“Tangjin Expressway JV”	Hebei Tanghui Expressway Company Limited (河北唐惠高速公路有限公司), Hebei Tangjin Expressway Company Limited (河北唐津高速公路有限公司) and Hebei Tangrun Expressway Company Limited (河北唐潤高速公路有限公司), each a joint venture established in the PRC on 31 January 2005 and which collectively operate Tangjin Expressway
“Tangjin Expressway JV Contract”	the joint venture contracts entered into by us and the Tangjin Expressway JV Partner dated 17 January 2005
“Tangjin Expressway JV Partner”	Hebei Provincial Expressway Development Company (河北省高速公路開發有限公司) (previously Hebei Province Road Investment and Management Office (河北省道路投資管理處)), a company established in the PRC
“Track Record Period”	the three years ended 31 December 2014, 2015 and 2016
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Investment Company Act”	the United States Investment Company Act of 1940
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda on 16 June 1992 as an exempted company with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00610) and the Controlling Shareholder of RKI
“Wai Kee Group”	Wai Kee and its subsidiaries
“WB Group”	WB Group Consulting (Shenzhen) Limited (施偉拔諮詢(深圳)有限公司), an independent traffic consultant

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“ZIL”	ZWP Investments Limited (previously known as Roadking Infrastructure Limited), a company incorporated in Hong Kong with limited liability on 5 July 1994, a shareholder of RKI, the Controlling Shareholder

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules and according to guidance from the Stock Exchange, unless the context otherwise requires.

References in this prospectus to our expressways, our expressway portfolio, and our expressway projects (or similar expressions) mean those expressways and expressway projects we have interests in through our wholly-owned subsidiaries.

The term “expressway” used in this prospectus falls into the definition of “highway” under the “Technical Standard of Highway Engineering” (JTG B01-2014) issued by the MOT. However, in this prospectus, save in the “Industry Overview” and “Regulatory Overview” sections of this prospectus, references to highways exclude expressways in order to distinguish between the category of highways owned and managed by the Expressway JVs and the other four categories of highways under the “Technical Standard of Highway Engineering” (JTG B01-2014). See “Glossary of Technical Terms—highway” for more details.

For ease of reference, the English names of the PRC established companies or entities, individuals, laws or regulations are translations and/or transliterations of their Chinese names and have been included in this prospectus for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese versions shall prevail.

Details of historic traffic volumes of the Expressway JVs in this prospectus have been extracted from their respective internal records of tolls paid and number of vehicles in respect of which the tolls were levied, which comprise data collected through automated means in respect of ETC and data collected manually in respect of MTC. However, while such records are considered to be reliable there may be minor discrepancies between such records and the actual traffic volumes on the respective expressways due to errors inherent in toll collection and through vehicles which evaded payment of the correct toll. See “Risk Factors—Risks Relating to Our Business and Operations—Toll receipts may be affected by the integrity of the toll collection system” for more details.

* for identification purposes only

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“21st Century Maritime Silk Road”	the maritime-based component of the “One Belt, One Road” initiative or “Belt and Road Initiative” that aims at investing and fostering collaboration in Southeast Asia, Oceania and North Africa through maritime trade, and connecting major seaports in China with those along the route
“aggregate proportionate”	for profit or loss related items, represents the sum of the Group’s proportionate share of the Expressway JVs based on the Group’s profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods; for balance sheet items, represents the sum of the Group’s proportionate share of the Expressway JVs based on the Group’s equity contribution ratios specified in the relevant Expressway JV Contracts as at the relevant dates
“average daily traffic flow”	for Baojin Expressway, Tangjin Expressway, Changyi Expressway and Longcheng Expressway, represents the sum of the expressway’s daily traffic, including the number of vehicles leaving the expressway’s toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing through the expressway but not entering or leaving from the expressway’s toll plazas; for Machao Expressway, it represents its weighted average daily section traffic flow due to the fact that historically, traffic flow data related to expressways in Anhui are presented on a weighted basis
“Belt and Road countries”	countries along the “The Silk Road Economic Belt” and the “21st Century Maritime Silk Road” under the “One Belt, One Road” initiative or “Belt and Road Initiative”
“CAGR”	compound annual growth rate
“Class II Highways”	two-lane roads for vehicles that accommodate a transport volume of between 5,000 to 15,000 cars per day on average throughout the year
“closed system”	roads with controlled access (toll stations are located at all the entry and exit points)
“Coordinated Development of Beijing, Tianjin and Hebei” or “Jing-Jin-Ji Integration”	a strategy which aims for a coordinated regional development along the coast of the Bohai Sea by connecting the capital city Beijing with neighbouring Tianjin Municipality and Hebei Province

GLOSSARY OF TECHNICAL TERMS

“design capacity”	maximum service volume (based on design speed and service level under the relevant technical standard) multiplied by number of lanes, divided by average passenger vehicle conversion factor, and further divided by peak hour factor. See “ <i>Appendix III—Traffic Study Report—Traffic Volume Delay Functions and Road Capacity</i> ” for more details
“EBITDA”	<p>Individual Expressway JV’s EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV</p> <p>Group’s aggregate proportionate EBITDA from the Expressway JVs = the sum of the Group’s proportionate share of Individual Expressway JVs’ EBITDA calculated based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts during the relevant periods. The Group’s aggregate proportionate EBITDA from the Expressway JVs does not include any line items from the Combined Statements of Profit or Loss of the Group.</p> <p>EBITDA is not an HKFRS financial measure. See “<i>Financial Information—Historical Non-HKFRS Financial Ratios</i>” for more details.</p>
“EBITDA margin”	<p>Individual Expressway JV’s EBITDA margin = Expressway JV’s EBITDA / Expressway JV’s toll revenue (net of business tax or value-added tax)</p> <p>Group’s aggregate proportionate EBITDA margin = Group’s aggregate proportionate EBITDA from the Expressway JVs for the year / Group’s aggregate proportionate toll revenue of the Expressway JVs for that year * 100%</p>
“ETC”	electronic toll collection
“expressway”	bi-directional, divided multi-lane roads with full access control for vehicles with a transport volume of more than 15,000 cars per day on average throughout the year
“For-profit Toll Road”	a toll road constructed with the investment of domestic or foreign economic organisations or a Government-repaying-loan Toll Road for which the toll collection rights have been assigned to domestic or foreign economic organisations in accordance with the Highway Law
“GFA”	Gross Floor Area

GLOSSARY OF TECHNICAL TERMS

“Government-repaying-loan Toll Road”	a toll road constructed by the competent transportation department of the people’s government at or above the county level, through making use of loans or raising funds with enterprises or individuals
“highway”	<p>according to the “Technical Standard of Highway Engineering” (JTG B01-2014) issued by the MOT, highways comprise the following five categories of roads:</p> <ol style="list-style-type: none">1. Expressway2. Class I Highway3. Class II Highway4. Class III Highway5. Class IV Highway <p>Thus, the term “expressway” used in this prospectus falls into the definition of “highway” under the “Technical Standard of Highway Engineering” (JTG B01-2014) issued by the MOT. However, in this prospectus, save in the “Industry Overview” and “Regulatory Overview” sections of this prospectus, references to highways exclude expressways in order to distinguish between the category of highways owned and managed by the Expressway JVs and the other four categories of highways under the “Technical Standard of Highway Engineering” (JTG B01-2014)</p> <p>See “<i>Industry Overview—Highway Transportation in China—Classification of Highways in China</i>” for more details</p>
“Jing-Jin-Ji”	Beijing – Tianjin – Hebei
“km”	kilometre(s)
“MQI”	Maintenance Quality Index, an industry-wide standard index that evaluates the expressway and highway road conditions. The index takes into account the road’s pavement quality, subgrade condition, bridge, tunnel and culvert condition and the condition of the facilities along the road
“MTC”	manual toll collection
“OHSAS 18001 Certification”	certification of conformity to OHSAS 18001 (Occupational Health and Safety Assessment Series 18001), a framework for an occupational health and safety management system to help organisations put in place the policies, procedures and controls needed to achieve the best possible working conditions and workplace health and safety, aligned to internationally recognised best practice

GLOSSARY OF TECHNICAL TERMS

“One Belt, One Road” initiative or “Belt and Road Initiative”	a strategy of the PRC Government, which aims to connect China with the world and promotes trade relationships with its neighbouring Asian and European countries along a new Silk Road. “The Silk Road Economic Belt” and “The 21st Century Maritime Silk Road” are the major components under the “One Belt, One Road” initiative or “Belt and Road Initiative”
“profit/cash sharing ratio”	in relation to any Expressway JV, the agreed ratio to share the cash distributions of that Expressway JV between us and the relevant Expressway JV Partner(s) according to the terms of the relevant Expressway JV Contract
“sq.km.”	square kilometres
“sq.m.”	square metres
“The Silk Road Economic Belt”	the land-based component of the “One Belt, One Road” initiative or “Belt and Road Initiative” that connects China to Central Asia, Russia and Europe, the Persian Gulf, Central Asia and West Asia, Southeast Asia, South Asia and the Indian Ocean
“The Silk Road Economic Belt and the 21st Century Maritime Silk Road” or “Belt and Road”	the two major components under the “One Belt, One Road” initiative or “Belt and Road Initiative”
“Thirteenth Five-Year Plan”	a series of nationwide economic and social development initiatives and guidelines used by the PRC government to guide and implement economic and social development goals in China from 2016 to 2020
“Three Initiatives”	the strategies of “One Belt, One Road” (一帶一路), “Coordinated Development of Beijing, Tianjin and Hebei” (京津冀協同發展) or “Jing-Jin-Ji Integration” (京津冀一體化) and “Yangtze River Economic Belt Development” (長江經濟帶發展)
“Twelfth Five-Year Plan”	a series of nationwide economic and social development initiatives and guidelines used by the PRC government to guide and implement economic and social development goals in China from 2011 to 2015
“weighted average daily section traffic flow”	the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage
“Yangtze River Delta Urban Cluster”	an economic region in China that encompasses Shanghai municipality and the provinces of Jiangsu, Anhui and Zhejiang
“Yangtze River Economic Belt Development”	a strategy which aims for a coordinated regional development among eleven provinces and municipalities along the Yangtze River

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Such forward-looking statements relate to events that are subject to significant risks and uncertainties, including the risks described in “*Risk Factors*”. These forward-looking statements include, but are not limited to, words and expressions such as “aim”, “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “seek”, “anticipate”, “may”, “will”, “should”, “would” and “could” or similar words, expressions or statements or the negative thereof, in particular, in “*Business*” and “*Financial Information*” in relation to future events, including our strategies, plans, objectives, goals, targets, future financial results, business prospects, the future development of our industry, the general economy of our key markets and the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future and the information currently available to our management. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance, which is subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed under “*Risk Factors*” and elsewhere in this prospectus and the following:

- changes in laws and governmental regulations and policies in the regions where we develop or manage our projects;
- governmental approval processes and rules and regulations relating to the expressway industry;
- our ability to further develop and manage our projects as planned;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters;
- interest rate and exchange rate fluctuations;
- foreign currency restrictions;
- changes in economic conditions and competition in the cities and regions where we operate;
- our dividend policy; and
- availability and cost of bank loans and other forms of financing.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that most of our operations are conducted in China which is governed by a legal and regulatory environment that may differ from that of other countries. You should seek professional advice from relevant advisers regarding your prospective investment in the context of your particular circumstances.

An investment in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial risks materialise, our business, financial condition, results of operation and/or ability to meet our financial obligations could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your investment.

The risks related to our business and operations and the Global Offering can be categorised into four broad areas, namely (i) risks relating to our business and operations, (ii) risks relating to the amount and stability of the distributions, (iii) risks relating to the PRC, Hong Kong and the Asia region and (iv) risks relating to the Global Offering. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, our ability to meet our financial obligations and/or the value of the Shares.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

The Group operates in an industry with considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the Expressway JVs, which could materially and adversely affect our business, results of operations and financial condition.

The toll road industry in which the Group operates is subject to considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the Expressway JVs. An unfavourable change in the relevant government policies could materially and adversely affect our business, results of operations and financial condition.

All toll rates charged by each of the Expressway JVs are subject to regulation by various national, provincial or local government authorities. Any proposed toll rate increase is required to be approved by the relevant provincial department for transport in conjunction with department for pricing at the provincial level, taking into account various factors before giving

RISK FACTORS

their approval. These factors include the toll rates of comparable toll roads and expressways in the same region, prevailing inflation and interest rates, traffic flow and the affordability to users.

In principle, the Expressway JVs (through the guidance of their investors such as the Group) may propose or apply to the relevant governmental authorities for a toll rate increase and widening of expressways in order to meet the desired rate of return on investments. However, there can be no assurance that any application will be approved by the relevant authorities in a timely manner, or at all. Furthermore, there can be no assurance that the relevant governmental authorities will not require the Expressway JVs to reduce the toll rates despite their and our opposition or without consulting them or us.

Baojin Expressway JV was established in September 2003. However, pursuant to the Administrative Regulations on Toll Road (《收費公路管理條例》) which came into effect in November 2004, the term for toll road concession rights shall be decided pursuant to the principle of full recovery of investment costs and reasonable investment return, but shall not be longer than 30 years for central and western provinces designated by the PRC Government and 25 years for other provinces in China. On 10 June 2011, the MOT, the Ministry of Finance (“MOF”), the NDRC, the Ministry of Supervision, and the Office of Redressing Malpractices of State Council issued a Notice on Specified Work on correcting the toll collection of Toll Roads (關於開展收費公路專項清理工作的通知) (the “Joint Notice”). Pursuant to the Joint Notice, the provincial government will lead the work of correcting unreasonable toll collection and cancel the projects of which the authorised period for toll collection has expired. In December 2012, the MOT issued Emergency Notice on Expediting the Cleaning Up of the Toll Road Relevant Issues Rectification Work Progress and Submit the Relevant Materials (關於加快收費公路專項清理相關問題整改工作進度並報送有關材料的緊急通知), urging the provincial governments to expedite the correction process. We have been advised by our PRC legal adviser that Hebei Province is not designated as a central or western province. Even though Baojin Expressway JV obtained its toll collection rights prior to when the Administrative Regulations on Toll Road came into effect, the relevant government authority has the right to require Baojin Expressway JV to reduce its concession period from 30 years to 25 years, which would materially and adversely affect our Group’s prospects. In 2015, the MOT published a proposed amendment to the Administrative Regulations on Toll Road, which would allow the concession periods for certain toll roads to be extended beyond 30 years. However, the amendment has not been put into effect as of the Latest Practicable Date. Therefore, there exist uncertainties relating to the impact of the Administrative Regulations on Toll Road on Baojin Expressway pending the proposed amendment coming into effect. See “Regulatory Overview—Regulations on Toll Collection” and “The Expressway Projects—Baojin Expressway—Project Concession” for more details.

Each provincial government may have a different interpretation of such notices and, as a result, there can be no assurance that similar policy that would impact the expressways will not be implemented in the future or that we will be able to obtain the concession periods we deem necessary or which are sufficient to recoup our investments or to generate expected growth of our future expressway projects. Furthermore, there can be no assurance that the PRC government will not issue new regulations or otherwise take any other actions and interpretations of rules and regulations that could impair the terms of the concession rights of the expressway joint ventures. For example, in 2013, the Hebei Provincial Government issued

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a notice that required early cessation of toll collection by 15 highways within the province. As a result, one highway in that province which the Remaining RKI Group held an interest in ceased its toll collection about 8 months prior to the expiry of the joint venture that operated the highway. In the event that the PRC government, without any compensation, requires the expressway joint ventures to limit their concession rights (including but not limited to the toll rates, the term, and the scope of the expressway under the Expressway JV's administration) or make other adjustments on certain expressway projects in the future, our business, results of operations and financial condition may be materially and adversely affected.

Furthermore, the State Council issued the “Notice of the State Council on the Implementation on the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays (國務院關於批准交通運輸部等部門重大節日免收小型客車通行費實施方案的通知) promulgated by the MOT, the NDRC, the MOF, the Ministry of Supervision, and the Office of Redressing Malpractices of the State Council on 24 July 2012 with regard to the Toll-Free on Major Festivals and Holdings for Small Passenger Vehicles Implementation Policy (the “Holiday Toll-Free Policy”). On 27 October 2005, the MOT promulgated the Guiding Opinion of Charge by Weight on Toll Roads for Trial Implementation (關於收費公路試行計重收費的指導意見). The MOT put forward the guiding opinion on road freight vehicle tolling by weight based on the practice and experience throughout the country. Pursuant to the Urgent Notice on Further Improving Policies for Green Passage of Fresh Agricultural Products (關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知) promulgated jointly by the MOT, the NDRC and the MOF, all toll roads have to adopt the “Green Passage Toll Free Policy” for fresh agricultural products with effect from 1 December 2010. See “*Regulatory Overview—Regulations on Toll Collection.*” Pursuant to the Holiday Toll-Free Policy, small passenger vehicles with seven seats or less will be entitled to use certain toll roads and expressways during major statutory holidays in the PRC free of charge. In addition, certain provincial governments have issued regulations that granted toll discounts to trucks using the expressways. See “*The Expressway Projects—Revenues—Toll discounts and exemptions*”. There can be no assurance that the government will not adopt any other similar policies in the future, which may materially and adversely affect our business, results of operations and financial condition.

We do not hold a majority or controlling interest in the expressways.

We operate the expressways through co-operative joint ventures. Accordingly, cooperation and agreement with our joint venture partners are important factors for the smooth operation and financial success of the expressways we have interests in. While a number of corporate items have been predetermined in the Expressway JV Contracts and the composition of the board of directors is proportionate to our equity investment, we do not have a majority or controlling interest in any of the Expressway JVs, and our ability to control the policies and decisions of the Expressway JVs depends on agreement with our Expressway JV Partners and our rights under the Expressway JV Contracts. The limitations on our ability to control the Expressway JVs could materially and adversely affect our business, results of operations and financial condition.

Reduction of traffic volume or the rate of growth in traffic volume could adversely affect us.

The toll revenues of the expressway JVs and our earnings are principally dependent upon the number and classes of motor vehicles using the expressways and the applicable toll

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regime. The number and classes of vehicles using the expressways is to a large extent dependent on factors outside our control, including:

- toll rates;
- fuel prices;
- vehicle prices and the cost of owning and operating vehicles;
- the mix between different vehicle classes using the expressways;
- the enforcement of truck weight limits by the police;
- changes in the governments' toll exemption policies;
- population growth, vehicle ownership growth and growth in the number of people of driving age;
- the occurrence of natural disasters, such as flooding, earthquakes and forest fires;
- meteorological conditions that can make driving difficult or dangerous, such as heavy snowfall, fog or rain;
- environmental legislation or regulation, including measures to restrict motor vehicle use;
- the availability, quality and proximity of the expressways compared to alternative roads and other competing modes of transportation, including air travel, waterways and railways;
- the quality of maintenance work performed by a connected road;
- capacity constraints on the number of vehicles that can efficiently use the expressways in any given period;
- general development of the provinces, cities and townships served by the expressways; and
- general economic conditions in the PRC.

The volume of traffic on a given expressway is also influenced by the basis and extent of the road's connection with other parts of the local and national highway and expressway network and their level of maturity. There can be no assurance that future changes in the highway and expressway system and network in the provinces in which our projects are located will not adversely affect the traffic volume on the expressways. See "*—Risks Relating to Our Business and Operations—Our profitability may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices*".

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC, and the principal municipalities and counties within the PRC.

Any adverse changes in current traffic volumes on the expressways or in the economies of the municipalities and counties served by the expressways may materially and adversely affect our business, results of operations and financial condition.

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The actual traffic volume and revenue of the expressways in the future may be different from the projected traffic volume and revenue as determined by WB Group and are subject to change.

WB Group has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for the expressways we have interests in. See “*Appendix III—Traffic Study Report*”. The traffic and revenue projections of the respective toll expressways by WB Group were prepared using such analytical methods and models as were considered appropriate by WB Group. The projections were based on, among other things, certain assumptions regarding sociological, demographical and economic trends in the corresponding provinces of the PRC. The assumptions also required a subjective determination of certain factors relating to the PRC which may or may not be realised. There can be no assurance that assumptions used in developing such projections, which include but are not limited to the absence of any adverse regulatory actions by the PRC government, completion of new connections and the GDP growth in the relevant provinces in the PRC, will prove to be accurate. There can be no assurance that actual traffic volume will be in line with the projected traffic volume. Any significant shortfall in actual traffic volume may materially and adversely affect our business, results of operations and financial condition.

Our profitability may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices.

Traffic volume is directly and indirectly affected by a number of factors, including but not limited to the existence, proximity, design and actual speed, riding quality, level of traffic flow, affordability and efficiency of other competing means of transport and alternative routes of similar quality, environmental regulations and fuel prices.

While we prefer to invest in projects where there are no existing alternative routes or means of transport, there can be no assurance that alternative routes that avoid tolls or impose lower or no tolls will not be developed, or that alternative means of transport competing with the existing expressways will not be constructed or developed in the future. For instance, the increase in transport capacity of passenger railways in recent years might have impacted the expressways we have interests in. More specifically, for example, the high-speed rail line connecting Changsha and Changde is currently under construction and, according to WB Group, after the high-speed rail line commences operation, some of the long-haul travellers currently using Changyi Expressway may be diverted. Furthermore, these expressways currently have competing roads and/or may have potential competing roads in the future. For example, Yanhai Expressway and G205 National Highway are considered to be Tangjin Expressway’s competing roads; Hening Expressway and Wuning Expressway competes against Machao Expressway. See “*The Expressway Projects—Competition*” and “*Appendix III—Traffic Study Report*”. Although all of our expressway projects in the PRC are undertaken by means of joint ventures with entities under the auspices of local government authorities, there can be no assurance that such authorities will not approve competing projects, or will not be over-ridden by higher authorities to do so. Any widening and expansion works of nearby highways, expressways and local roads, as well as openings of new roads, further expansion and improvement of the highway and expressway network, parallel roads, substitutive routes or alternative modes of transportation, could hinder traffic growth on these expressways.

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Operation of expressways can cause damage to local vegetation, soil and water to varying degrees, produce waste gas, dust and noise pollution, damage the ecological environment and cause safety hazards. While we are not in one of the highly polluting or hazardous industries, environmental protection or safety protection measures and policies may cause an increase in the Expressway JVs' operating costs and restrict traffic on these expressways. Additionally, an increase in fuel prices may reduce the traffic volume on the expressways.

The existence and development of competing means of transport, environmental regulations and fuel prices may materially and adversely affect our business, results of operations and financial condition.

Toll receipts may be affected by the integrity of the toll collection system.

We have helped the Expressway JVs implement a comprehensive toll collection control system in respect of all of the expressways we have interests in. See "*The Expressway Projects*". We rely on computer systems to ascertain the level of toll receipts on a daily basis. For ETC-equipped vehicles, we rely on the computer systems to collect the tolls. We also rely on the toll receipt collection system operated by other operators to a certain extent as some vehicles may exit beyond the expressways that we have interests in. In addition, the toll receipts collected from ETC toll stations are deposited electronically to the specific accounts of government authorities or third party operators, followed by reconciliation by computer system between the Expressway JVs' records and that of the third party operators. In the past, there were incidents of discrepancies of certain amounts identified between the Expressway JV's system and that of third party operators. We have helped the Expressway JVs take measures to address and to reduce the occurrence of such discrepancies. However, there can be no assurance that such discrepancies will not occur in the future. While the Expressway JVs conduct routine inspections and maintenance on their equipment and have put in place back up systems and other remedial measures to ensure that the malfunctioning of these computer systems occurs infrequently, any malfunction of these computer systems, malfunction of the ETC equipment or any inadequacy in the Expressway JVs' controls could cause the information on toll receipts to become unreliable, inaccurate or permanently lost, which could materially and adversely affect the toll management and delay the Expressway JVs' receipt of their portion of toll receipts.

Furthermore, if the controls on toll collection are inadequate to ensure that the correct tolls are collected and duly received by the relevant Expressway JVs from all relevant vehicles which are obliged to pay tolls, we cannot assure you that the Expressway JVs will not experience any loss or reduction of revenue, which may materially and adversely affect our business, results of operations and financial condition.

We may be subject to cash misappropriation by the employees or third-parties and may have to invest in tighter control mechanisms.

As all of the expressways have collection stations that include manual collection of tolls, the Expressway JVs usually receive and handle large amounts of cash in their daily operations. While they have in place internal controls and seek to increase the use of ETC and automatic toll collection, the business is subject to the risk of toll misappropriation and

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reckless behaviour of employees and there can be no assurance that instances of fraud, theft or other misconduct involving employees, road users or other third parties will not take place. Any misconduct committed against our interests, which may include past, and/or future undetected acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

The joint ventures we have interests in may fail to renew concessions with the government.

As of 31 December 2016, the average remaining concession period of the expressways we have entered in is 16.6 years. In particular, Tangjin Expressway has a remaining concession period of 6.1 years, and Changyi Expressway has a remaining concession period of 7.8 years. While we strive to work with our Expressway JV Partners to renew the concession periods of the Expressway JVs with the approval of the government, there can be no assurance that the Expressway JVs are able to do so. Failure of concession period renewal may materially and adversely affect our business, results of operations and financial condition.

We may have disputes with our joint venture partners.

We have, and expect to maintain, interests in the Expressway JVs which operate the existing expressway projects in the PRC that we have interests in. The Expressway JVs may involve risks associated with the possibility that our Expressway JV Partners may (i) have economic or business interests or objectives that are inconsistent with ours, (ii) take action contrary to our instructions or requests or contrary to our policies or objectives with respect to our investments and projects, (iii) be unable or unwilling to fulfil their obligations under the relevant Expressway JV Contracts or other agreements or (iv) experience financial or other difficulties. In addition, in accordance with PRC laws, certain matters relating to a joint venture require the consent of all parties to the joint venture. Therefore, irrespective of our proportional interest in such Expressway JVs, we are not able to control unilaterally all decision-making processes of the Expressway JVs without reference to the relevant PRC Expressway JV Partners. Disputes among the partners over Expressway JV obligations or otherwise could materially and adversely affect the performance of the projects. We may also suffer reputational damage or financial loss as a result of the actions of our Expressway JV Partners. There have not been any major disputes with our Expressway JV Partners during the Track Record Period. However, there can be no assurance that we will not encounter problems with our Expressway JV Partners, which may materially and adversely affect our business, results of operations and financial condition.

We cannot guarantee future cash distributions from our portfolio of expressways to be as high as historical cash distributions.

The Expressway JVs are operated through joint ventures. Some of the Expressway JVs had historically adopted cash distribution arrangements, pursuant to which the ratio of cash distributions between us and the relevant Expressway JV Partners may vary at different stages. Under such cash distribution arrangements, we received preferential cash distributions until full recovery of our original capital investment during the initial years of an Expressway JV. Thereafter, the profit/cash sharing ratio may be adjusted to enable our

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Expressway JV Partners to receive preferential cash distributions to recover their original capital investment, and the profit/cash sharing ratio may be further adjusted so that both parties share the cash generated from the project mainly in proportion to their respective equity interests. However, based on the current operating environment, cash distribution from any future toll road and expressway joint ventures is more likely to be proportional to the actual capital investment of the joint ventures. As a result, such historical preferential cash distribution is not indicative of the future cash distributions we will receive and it may take longer time for us to recover our original capital investment in new toll road and expressway joint ventures. If this happens, it may materially and adversely affect our business, results of operations and financial condition.

Capital expenditures on, and operation of, expressways is subject to events outside our control.

Generally, each of the Expressway JVs is responsible for the maintenance and repair of its expressway at its own cost throughout the operating concession period. While such costs are typically stable, minimal in nature and predictable (including periodic major and intermediate repairs that require higher capital expenditures), the condition and operation of the expressways operated by the Expressway JVs may be affected by catastrophic events, including but not limited to serious adverse weather, natural disasters, epidemics and major road accidents. Such catastrophic events could disrupt the operation of these expressways, leading to loss of toll receipts, and/or requiring significant unexpected capital expenditures to fix the expressways and related infrastructure and equipment. While we have arranged insurance policies to indemnify certain of our losses in the event of such catastrophic events, we might not obtain full recovery of our losses because of certain exclusion provisions in the insurance policies. Although to date, no material events of this nature have adversely affected the operation of any of the expressways for an extended period of time, there can be no assurance that such events will not occur. If the condition or operation of the expressways are seriously affected as a result of any such events, the revenue and financial position of a particular Expressway JV may be adversely affected, which may materially and adversely affect our business, results of operations and financial condition.

Our financial performance could be affected by fluctuation of interest rates and further increases in indebtedness.

Our expressway project interests are held through Expressway JVs, three of which have incurred debt obligations under bank loans or shareholders loans to finance or refinance project costs. In addition, we receive interest income from some of the loans we made to the Expressway JVs. As a consequence, changes in borrowing rates have affected and will continue to affect the financing costs for the Expressway JVs and, ultimately, our results of operations. There can be no assurance that lending rates will remain unchanged. As of 31 December 2016, the Expressway JVs had bank loans with an aggregate outstanding amount of approximately HK\$5,190.8 million. The interest rates are based on premiums or discounts to the Renminbi lending base rate as announced by the PBOC from time to time. Accordingly, an increase in lending rates set by the PBOC in the future may materially and adversely affect our business, results of operations and financial condition.

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Non-compliance with bank covenants by one of our Expressway JVs may result in demand for early repayment of loans and/or reduction in the credit limit granted to that Expressway JV.

During the Track Record Period, Machao Expressway JV did not comply with some of the covenants in certain pledge agreements and certain loan agreements in relation to (i) refraining from making additional pledges without the banks' consents, (ii) depositing all or a required proportion of Machao Expressway JV's toll receipts to the accounts designated by the banks, and (iii) naming certain banks as the primary beneficiary in the insurance policy obtained for the Expressway JV.

In respect of (i) and (ii) above, the Company has obtained confirmation letters from the relevant banks that (a) Machao Expressway JV had been making timely repayments of all principal and interest as of the dates thereof, (b) the loan agreements, and relevant guarantees and/or pledge agreements (as applicable) will continue to be valid, (c) the practice of Machao Expressway JV before the dates thereof, in spite of the non-compliance described above, did not affect the arrangements set forth in the agreements; (d) Machao Expressway JV can continue to utilise the loans and make repayments as originally scheduled for the remainder of the contract terms, and (e) the banks will not demand early repayment of the loans solely as a result of this issue during the remainder of the contract terms provided that the principal and interest are fully repaid on time.

In respect of (iii) above, each of the relevant banks confirmed, in due diligence interviews conducted by the Joint Sponsors, that the relevant banks did not consider the relevant provisions which appear in its standard form documentation to apply in the case of Machao Expressway JV and accordingly that compliance with such provisions was not required and that any non-compliance would not have any consequences for Machao Expressway JV.

Further, we have been advised by our PRC legal adviser that, (i) based on PRC contract law, Machao Expressway JV's practice, though not fully compliant with the stated requirements, is not a ground to terminate the relevant loan agreements, (ii) outstanding bank borrowings will not be accelerated, (iii) Machao Expressway JV will not incur other liabilities relating to the non-compliance, and (iv) this issue will not have any material and adverse impact on Machao Expressway JV. See "*Financial Information—Indebtedness—Indebtedness of the Expressway JVs*" for more details.

However, there is no assurance that the confirmations received will not be revoked. There are some cross-default provisions in the loan agreements between Machao Expressway JV and its lending banks. In case there is any additional non-compliance with bank covenants by the Expressway JV or if any of the confirmations is revoked, the cross-default provisions in the loan agreements between Machao Expressway JV and the lending banks may be triggered and the banks may, among others, demand early repayment of the outstanding loans and/or reduce the credit limit granted to Machao Expressway JV, and our reputation, business, results of operations and financial condition may be materially and adversely affected.

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We are subject to regulatory approval risks.

In the PRC, toll road and expressway projects involve a complex and lengthy process of formal official and governmental authorisations and approvals as well as significant administrative and logistical difficulties concerning acquisition and usage of land use rights. Toll rates, for example, are determined by the provincial government, and we are required to seek approvals from the relevant provincial government and provincial price bureaus for any toll increase. Approvals are also required in order to divest any interest in a project. There can be no assurance that such approvals will be obtained either according to the terms applied for or at all. There can also be no assurance in relation to any other possible future projects that requisite approvals for the projects can be obtained at the necessary time. Furthermore, as we develop and operate our projects through expressway joint ventures, there can also be no assurance that we will come to an agreement with our joint venture partners with respect to the terms of our projects and that those terms will be to our satisfaction in terms of commercial arrangement and technical specifications. Delays in the process of obtaining, or a failure to obtain, the requisite licences, permits or approvals from government agencies or authorities can also increase our costs, which may materially and adversely affect our business, results of operations and financial condition.

Certain Expressway JVs have been operating outside the segment of the relevant expressway in respect of which they were licenced, which could subject them to further fines or other penalties.

Due to historical limitations on foreign investments, each of Baojin Expressway, Tangjin Expressway and Changyi Expressway is operated through multiple joint venture enterprises, with a section of the expressway designated to each joint venture enterprise. The business scope of each joint venture enterprise as shown on the business licence issued by the AIC includes the operation of the relevant section of expressway. In the operation of the relevant expressways, these joint venture enterprises entrusted one of the joint venture enterprises at the relevant expressway to manage the entire expressway on behalf of the other joint venture enterprises.

In 2011, Baojin Expressway JV and Tangjin Expressway JV were notified by Hebei AIC that the entrusted joint venture enterprises of Baojin Expressway and Tangjin Expressway had operated beyond their business scope by operating the relevant Expressway on behalf of the other joint venture enterprises. As a result, Hebei AIC imposed a fine of RMB100,000 on (i) the entrusted joint venture enterprise of Baojin Expressway JV and (ii) the entrusted joint venture enterprise of Tangjin Expressway JV, which have been paid.

Thereafter, the senior management (including the general managers) of the entrusted joint venture enterprises of Baojin Expressway and Tangjin Expressway JV have been engaging in discussions with the respective local AICs and other government authorities and were advised that there were procedural difficulties to rectify the situation through an amendment of the business scope. From our interviews with the relevant government officials, we understand that (a) the government authorities were aware of the entrustment arrangements at the time the arrangements were made; (b) such arrangements are not required to be altered going forward; and (c) Hebei AIC and Hunan AIC do not intend to take any further action regarding the entrustment arrangements. Moreover, the joint venture enterprises have, subsequent to the fines being levied and paid, passed their annual AIC

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inspections and have not been subject to any further action by the local AICs regarding their arrangements. See “*Business—PRC Expressway Related Matters*” for more details.

Potential legal consequences for operating beyond the business scope under PRC law include the revocation of the relevant licences, fines of up to RMB100,000 or other actions. There can be no assurance that the local AIC or other governmental authorities will not impose penalties or fines on, or take other action in relation to, the relevant joint venture enterprises of Tangjin Expressway JV, Baojin Expressway JV or Changyi Expressway JV.

Restrictions or onerous requirements could be imposed on the entitlement of the Expressway JVs to collect tolls.

The entitlements of the Expressway JVs to operate the expressways and to collect tolls are governed by the relevant Expressway JV Contracts and depend on the concessions established by such contracts. There can be no assurance that the terms of the concession will not be altered at the demand of relevant government authorities without our consent. The imposition of changes to the arrangements by the government authorities may materially and adversely affect our business, results of operations and financial condition.

Changes to the PRC government’s transportation-related and other policies may affect the Expressway JVs’ revenues.

The Expressway JVs’ operations, along with those of other toll road and expressway operators in the PRC, are sensitive to changes in the PRC government’s policies including (i) its strategic development policies at the macro level that could stimulate regional economic growth, and (ii) its specific policies relating to provincial and municipal transportation networks, traffic regulation, licencing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of expressways in the PRC. Any change in or shift in the emphasis of the governments’ policies may materially and adversely affect our business, results of operations, financial condition and prospects.

The Expressway JVs’ lack of registered ownership of land use rights for their expressways may present risks to their operations.

The land use rights for most of the expressways we are interested in are not registered in the name of the relevant Expressway JVs, but are (or, in the case of the recently completed Machao Expressway, will be) registered in the names of our Expressway JV Partners or their supervisory bodies or associates. See “*Business—Land Use Rights and Property Interests*” for more details. While the Expressway JV Contracts require our Expressway JV Partners to ensure that the Expressway JVs have the relevant land use rights and the relevant Expressway JV Partners or their supervisory bodies or associates have provided written undertakings confirming the relevant Expressway JVs’ unequivocal rights to use the relevant land during their terms, if the Expressway JV is unable to defend its right to use the relevant land due to the lack of registered ownership of the land use rights or if the registered owner of the land use rights enters into any arrangements concerning the land use rights that adversely affects the Expressway JV’s interests in operating the expressway, our business, results of operations and financial condition may be materially and adversely affected.

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The continued growth of our business requires substantial capital investment and our ability to arrange for additional external financing can be limited.

We and the Expressway JVs will require significant additional financing to fund capital expenditures and to support the future growth of the business, particularly for investments in expressway joint ventures and new toll roads, respectively. Historically, we and some of the Expressway JVs have relied on a mixture of debt and equity financings and cash from investing in and operating toll roads to fund the business requirements. Our ability and the Expressway JVs' ability to arrange for external financing and the cost of such financing are dependent on numerous factors, some of which are beyond our control, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence, success of our and the Expressway JVs' businesses, changes in existing PRC regulations, provisions of tax and securities laws that may be applicable to our and their efforts to raise capital and political and economic conditions in Hong Kong and the rest of the PRC generally. Our ability and the Expressway JVs' ability to raise additional financing, particularly through loans and other forms of indebtedness, may be limited, as some Expressway JVs are, and our Group and the Expressway JVs may in the future be, subject to various restrictions on our and their ability to incur additional debt and engage in other fundraising transactions under the terms of the relevant outstanding indebtedness. In addition, the PRC government has implemented a number of measures to control money supply growth and credit availability.

There can be no assurance that the PRC government will not introduce other initiatives that may further limit our access to capital, or that additional debt financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to us and the Expressway JVs. As a result, we and the Expressway JVs will be increasingly reliant on cash generated by the existing expressway businesses, as well as cash generated through any equity or other fund-raising activities, and there can be no assurance that such cash flows will be sufficient to finance the future growth of our and/or the Expressway JVs' businesses, which may materially and adversely affect our and/or the Expressway JVs' business, results of operations and financial condition.

Our Group will be controlled by RKI, whose interests may differ from those of the Group's other shareholders.

Immediately following the Offering (and assuming that the Over-allotment Option is not exercised), RKI will indirectly own a total of approximately 73% of the Group's issued share capital. Accordingly, RKI will be in a position (subject to applicable Bermuda laws and regulations and relevant provisions of the Group's bye-laws) to:

- control the policies, management and affairs of our Group;
- determine the timing and amount of dividend payments; and
- otherwise determine the outcome of most corporate actions, and, subject to the requirements of the Listing Rules, cause our Group to effect corporate transactions which do not require the approval of independent shareholders.

RKI's interests may sometimes conflict with those of our Group's minority shareholders. There can be no assurance that RKI, as controlling shareholder, will always vote its shares in the same way as our Group's other shareholders.

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The financial reports of RKI include certain financial information regarding the Expressway JVs, which may not be directly comparable to the financial information regarding the Expressway JVs in this prospectus.

The financial reports of RKI include certain financial information regarding the toll road business. In 2016, RKI changed the presentation of certain financial information in relation to its toll road business. As a result, the presentation of financial information prior to 2016 by RKI relating to its toll road business may not be directly comparable to the financial information regarding the Expressway JVs contained in this prospectus. Consequently, investors should rely only on information, including financial information, contained in this prospectus in making an investment decision concerning our Shares.

Certain financial information contained in this prospectus is non-HKFRS which may not be directly comparable to that prepared in accordance with HKFRS.

To provide additional information about the Group's and the Expressway JVs' operating and financial performance and to meet certain listing-related regulatory requirements, we present certain non-HKFRS financial measures (including, but not limited to, financial ratios and proportionally consolidated figures) in this prospectus. These figures may not be directly comparable to the numbers prepared in accordance with HKFRS and should not be considered in isolation or construed as a substitute for analysing HKFRS figures. In addition, because different companies may calculate their non-HKFRS measures differently, the non-HKFRS financial measures may not be comparable to the same or similarly titled measures presented by other companies. Investors should not place undue reliance on the non-HKFRS financial measures.

The performance of our business is dependent on future economic growth in the PRC.

The growth of our business is dependent upon the continuation of economic development and growth in the PRC, where our operations and investments are primarily located. The PRC has experienced rapid economic development in recent years, but such growth may not continue at such similar high rates. A sustained period of slower growth in the PRC in general could have a material adverse effect on our business, results of operations, financial condition, as well as on our prospects to identify, invest in and develop new expressway projects.

In addition, any slowdown in the economies of the United States, the European Union and certain Asian countries could materially and adversely affect economic growth in the PRC and elsewhere. There can be no assurance that our business, results of operations and financial condition, as well as our future prospects, will not be adversely affected by an economic downturn in any of these countries.

Although the global economy has been recovering slowly from the 2008 financial crisis, it is uncertain whether such recovery is stable or sustainable. For example, the real GDP growth rate of the PRC decreased from 10.6% in 2010 to 9.5% in 2011, then to 7.7% in 2012, 7.7% in 2013, 7.3% in 2014, 6.9% in 2015 and 6.7% in 2016. More recently, rising government deficits and debt levels across the globe together with a wave of downgrading of sovereign debt in major western economies have caused turmoil in the global financial markets. On 23 June 2016, the United Kingdom voted in a national referendum to withdraw

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from the European Union, and officially notified the European Union of its intention to withdraw on 29 March 2017, which triggered a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draught and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union. In addition, in November 2016, Donald J. Trump won the U.S. presidential election. He was sworn into the office in January 2017. The exit of the United Kingdom (or any other country) from the European Union or prolonged periods of uncertainty relating to any of these possibilities, as well as the policies under the Trump presidency, could result in political, social or macroeconomic uncertainty, including but not limited to increased volatilities in foreign exchange and in the financial markets.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the general demand for transportation in the PRC, which may adversely impact our expressway business. There can be no assurance that further economic slowdown will not occur in the near future, or the PRC government's economic recovery measures will be sustainable or successful to address such economic slowdown. If market conditions deteriorate or a market downturn occurs again and becomes more severe, longer lasting or broader than expected, we could defer our expansion plans, which in turn could cause us to face a material loss of revenue and our overall business prospects could be materially and adversely affected. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, the occurrence of global economic slowdown or the turmoil in the financial markets may adversely and materially affect our business, results of operations and financial condition.

As a holding company, we rely on dividends and repayments on shareholder loans from our subsidiaries and Expressway JVs for funding.

As a holding company, we operate our business through our subsidiaries and Expressway JVs. We also fund our subsidiaries and Expressway JVs through shareholder loans. The ability to service our debts depends upon dividends and repayments on shareholder loans received from our subsidiaries and Expressway JVs. If our subsidiaries and Expressway JVs incur debt, the holders of such debt may be able to impair the ability of such subsidiaries and Expressway JVs to pay dividends or other distributions to us. As a result, our ability to service our debt will be restricted.

PRC laws generally require that dividends only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, PRC laws require foreign-invested enterprises to set aside statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions, if changed, could materially and adversely affect our ability to service our debts as we rely heavily on dividends and repayments from these entities.

In addition, all of the Expressway JVs' revenue is denominated in Renminbi, which is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Shares. As advised by our PRC legal adviser, the cash distributions representing the profit entitlement of the foreign investors can be legally

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remitted out of the PRC to the foreign investor without the need to obtain the prior approval or authorisation of the relevant foreign exchange bureau, provided that such cash distributions are legally payable and the payment of such cash distributions complies with the applicable procedural provisions of the PRC laws, the relevant terms of the joint venture agreements and the articles of association of the Expressway JVs. Our PRC legal adviser has also advised that the remittance of dividends and other distributions/payments representing the profit entitlement of the Company out of the PRC could be processed through commercial banks which provide such remittance services, without the need to obtain any pre-approval or authorisation from the relevant SAFE authority. See “*Regulatory Overview—Foreign Currency Exchange and Dividend Distribution*” for more details. However, the PRC government has tightened exchange controls in recent months. If the PRC government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, our remittance of funds offshore to pay dividends to our Shareholders in foreign currencies may be delayed or limited. On the other hand, most funds generated from foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and the exchange of such funds into another currency requires the approval of the SAFE. These limitations could affect our ability to make timely payments on the declared dividends, if any, on our Shares.

We expect increased competition for a decreasing pool of toll road and expressway investment opportunities.

We have experienced increased competition for a decreasing pool of toll road and expressway investment opportunities as a result of government policy changes that made Class II highways in the country toll-free. There can be no assurance that the policies to phase out toll collections will not be applied to expressways in the future. There can be no assurance that existing joint venture toll collection arrangements will not be invalidated, or that we will be entitled to compensation if the government attempts to invalidate such existing agreements. As part of our business strategy, we plan to make future expressway related investments only in revenue-generating expressway projects. As the pool of expressway investment opportunities may further decrease as a result of a change in the government policy that expands the scope of toll-free roads, the competition for these expressway investments may further increase, and other expressway operators may have greater financial resources than we do. As a result, we may not be able to make future investments in expressway projects on terms that are favourable to us, or at all, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Our future financial performance is in part dependent on our ability to successfully identify acquisition targets or complete acquisitions or integrate the acquired businesses. We could face business and financial risks with respect to potential future acquisitions and mergers.

Our success depends on our ability to achieve expansion through acquisitions as well as organic growth. We could face significant management, administrative and financial challenges in achieving our key commercial objectives following any future mergers and acquisitions. These challenges include but are not limited to:

- the suitability of the acquisition targets or our ability to complete acquisitions on acceptable terms;

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- the availability, terms and costs of any financing required to make an acquisition;
- the costs of and difficulties in integrating acquired businesses, managing enlarged business operations and operating in new markets, regulatory environments and geographic regions;
- loss of key management staff upon the merger and/or acquisition;
- delays in securing or inability to secure necessary governmental approval and third-party consents;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential legal liabilities of the acquired company;
- legal, regulatory, contractual, labour or other issues that could arise from an merger and/or acquisition; and
- inability to service any increased leveraged positions upon the merger and/or acquisition.

If we are unable to identify suitable targets for acquisition consistent with our strategy, we may have a large amount of cash and bank balances, potentially lowering the returns generated from our assets in the long run. In this case, and in the event we fail to successfully integrate the new acquired expressways or toll roads into our existing business, our results of operations, financial condition and prospects may be materially and adversely affected.

Fluctuation of the Renminbi could materially affect our reported results of operations and financial condition.

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar and other foreign currencies are affected by, among other things, changes in political and economic conditions in the PRC. Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective group entities. Consequently, we bear currency conversion risk and currency exchange rate risk. A devaluation of the Renminbi may adversely affect the value, when stated in Hong Kong dollars or US dollars, of the return in investment received by us from the Expressway JVs.

We may in the future incur additional liabilities denominated in currencies other than Renminbi to finance our future expressway development projects. Our costs of servicing these borrowings will vary according to the prevailing Renminbi to the respective foreign currency exchange rate, and any devaluation of the Renminbi against the respective foreign currency will increase our cost of servicing such borrowings.

The Renminbi is only convertible in respect of certain transactions described by PRC GAAP as "current account" transactions. Currently, Renminbi amounts in respect of "capital account" transactions are not convertible without the prior approval from the PRC government. The value of the Renminbi is subject to changes in the PRC government policies and to international economic and political developments.

Pursuant to reforms of the exchange rate system, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a band of 2.0% above or below the central

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parity rate against a basket of foreign currencies, effective from 17 March 2014. In August 2015, the PBOC changed the way it calculates the central parity rate of Renminbi against the US dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. As a result, the central parity rate of Renminbi against the US dollar depreciated by approximately 4.56% from 10 August to 27 August 2015 and further fluctuated in the following months. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Such reforms, if implemented, could result in further devaluation of the Renminbi against other foreign currencies, which could materially and adversely affect our results of operations and financial condition because of our indebtedness and other obligations denominated in foreign currencies. Such devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of our earnings.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. As of the Latest Practicable Date, we did not enter into any hedging instrument. Our management monitors our foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need, in the opinion of our management, arise. However, such contracts may not adequately cover our exposure to exchange rate fluctuations, which may result in a large exchange loss and may materially and adversely affect our business, results of operations and financial condition.

We are exposed to counter-party risk.

We may enter into various transactions from time to time which will expose us to the risk of the credit of our counterparties and their ability to satisfy the terms of contracts with us. Although we have attempted to limit our counter-party risk against our suppliers where some of the relevant suppliers will indemnify certain of our losses if they fail to deliver according to the contract, we are still exposed to other counter-party risks. For example, we may enter into swap arrangements which expose us to the risk that counter-parties may default under their obligations to perform under the relevant contract. If a counter-party, including a financial institution, is declared bankrupt or becomes insolvent, it may result in delays in obtaining funds or our having to liquidate our position. The inability to secure adequate and timely supply of the relevant outsourcing services by our counter-party may materially and adversely affect our business, results of operations and financial condition.

Our success depends on the retention of our senior management team and other key personnel.

We depend on the services provided by our management and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in expressway operation is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of, or attract, high-quality senior executives or key personnel. The failure to attract and retain qualified personnel and the failure to find suitable substitutes for our core management team members after they leave or retire may

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materially and adversely affect our business, results of operations, financial condition and prospects.

We are uncertain whether we have maintained or will continue to maintain sufficient insurance coverage.

We maintain certain insurance policies in the operation of our business. See “*Business—Insurance*”. While we believe that we currently maintain adequate insurance coverage, there can be no assurance that we in fact maintain or will continue to maintain sufficient insurance coverage for the risks associated with the operation of our business. If the use of any of the expressways is interrupted in whole or in part for an extended period as a result of events beyond the Expressway JV’s control, such occurrence may adversely affect the revenue and results of operations of the affected Expressway JV. In addition, there are certain types of losses, including but not limited to losses due to typhoon, flooding, war, civil disorder and earthquakes, which are only insurable on limited terms. Therefore, while we believe that the practice is in line with the general practice in the PRC toll road and expressway industry, there may be instances when we and/or the Expressway JVs will have to absorb losses, damages and liabilities because of the lack of insurance coverage, which may in turn materially and adversely affect our business, results of operations and financial condition.

We may be involved in legal and other proceedings arising from our operations from time to time.

We may be involved from time to time in disputes with various parties involved in our expressway projects such as contractors, sub-contractors, suppliers, construction companies, purchasers, partners, employees and others, as well as in connection with our acquisitions and divestitures. These disputes may lead to legal and other proceedings, and may cause us to incur significant costs and experience delays. In addition, we may have disagreements with regulatory bodies and governmental authorities in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that may result in various penalties which may include, among other things, fines. If we are not successful in obtaining remedies under any contractual arrangements for any such undisclosed losses or damages, we may also be exposed to financial losses, which may have an adverse effect on our expected profitability and ability to realise synergies from such acquisitions. In such circumstances, our reputation, business, results of operations and financial condition may be materially and adversely affected.

Power outages, adverse weather conditions, catastrophic events, other natural disasters or terrorist attacks may cause losses to or harm our business.

The operations of the expressways depend on reliable electricity and other supplies on them. There can be no assurance that the traffic and road condition of the expressways will be optimal at all times, particularly as a result of adverse weather conditions, catastrophic events or natural disasters. The Expressway JVs’ emergency response, disaster recovery and crisis management team may not be able to effectively protect the business and operations from the above disruptions. While the Expressway JVs have back up resources in place and have maintained insurance coverage, there can be no assurance that loss from

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such events are fully recoverable under their insurance policies. Any service disruption may cause loss or damage to road users, who may seek to recover damages and harm the business. In such circumstances, our business, results of operations and financial condition may be materially and adversely affected.

We recorded negative operating cash flows during the Track Record Period and expect to continue to do so subsequent to the Listing.

During the Track Record Period, the major source of cash for the Group is from the distributions received from our Expressway JVs, which are classified as cash distributions received from joint ventures and recorded as cash from investing activities, rather than cash inflow from operating activities. For the years ended 31 December 2014, 2015 and 2016, our cash distributions received from joint ventures were approximately HK\$463.3 million, HK\$468.8 million and HK\$520.4 million, respectively, and our net cash inflows from investing activities were approximately HK\$93.2 million, HK\$482.3 million and HK\$615.5 million for the years ended 31 December 2014, 2015 and 2016, respectively.

However, the expansion of our Expressway JV portfolio during the Track Record Period resulted in increased operating cash outflows in the form of share of results of joint ventures. Share of results of joint ventures was recognised as a reconciling accounting treatment between profit for the year and operating cash flow before movements in working capital for the purpose of eliminating non-cash items affecting our combined statement of profit or loss.

As a result of the above, we incurred net cash used in operating activities of HK\$76.0 million, HK\$95.0 million and HK\$61.8 million for the years ended 31 December 2014, 2015 and 2016, respectively. As a result of our operational model and the relevant accounting rules, we expect to continue to have negative operating cash flows subsequent to the Listing.

We may not be able to transfer our interest in the Expressway JVs.

All of the Expressway JV Contracts require a unanimous consent of the board of directors if we are to transfer or sell our interests in the Expressway JVs. Our Expressway JV Partners appoint about half of the board of directors of each Expressway JV. Although we have good relationships with our Expressway JV Partners, there can be no assurance that we can obtain a unanimous consent in a timely manner to transfer or sell our equity interest in a way that maximises our investment value or at all. In such circumstances, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE AMOUNT AND STABILITY OF THE DISTRIBUTIONS

The Company may not be able to pay or maintain distributions to Shareholders and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Expressway JVs, the cash distributions received by the Group from the Expressway JVs, and the cash flows available for distribution of the Group.

The objective of the Group is to provide Shareholders with stable distributions as well as the potential for the sustainable long-term growth of such distributions.

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As reflected in a resolution of the Board passed on 19 June 2017, being the date of adoption of the Bye-laws, it is the current intention of the Board to declare and distribute interim and final dividends aggregating not less than 90% of the Group's distributable income in respect of each financial year.

The Group will rely on the receipts of cash distributions from the Expressway JVs to make its distributions to the Shareholders. There is no assurance that the Expressway JVs will have sufficient cash available to make the cash distributions to the Group and, consequently, there is no assurance as to the ability of the Group to pay or maintain distributions to Shareholders or that such distributions will be stable or will be able to increase in the future.

The ability of the Group to pay and maintain its distributions are dependent on a number of factors, including those set out below:

- the business, financial condition, results of operations and cash flows of the Expressway JVs;
- the level of economic activities at the regions where the Expressway JVs are located;
- the profit/cash sharing ratios of the Group as set out in the relevant Expressway JV Contracts;
- applicable laws, rules, regulations, government policies and measures, which may restrict or adversely impact the payment of cash distributions or the amount available for distributions from the Expressway JVs to the Group or from the Group to its Shareholders;
- changes in applicable accounting standards, corporate laws, laws, rules and regulations in respect of tax, foreign exchange and the repatriation of funds, and regulations relating thereto in the jurisdictions where the Expressway JVs and the Company are currently incorporated, being PRC and Bermuda;
- the terms of the agreements to which the Expressway JVs and the Group are, or may become, a party;
- the payment of interest and principal on the Expressway JVs' or the Group's indebtedness;
- compliance with financial undertakings and covenants imposed under the Expressway JV's current bank borrowings and the Expressway JVs' and the Group's future indebtedness, which may require (i) the Expressway JVs to set aside amounts which would otherwise be available for distribution to the Group or restrict them from paying any cash distribution to the Group, and (ii) the Group to set aside amounts which would otherwise be available for distribution to its Shareholders or restrict it from paying any cash distribution to its Shareholders.

In addition, the distributions to the Shareholders from the Company depend on the capital needs of the Group and the Expressway JVs, which in turn depend on their funding requirements, taking into account the prevailing business environment and operations, expansion plans, capital management considerations, the availability of financing, the overall stability of distributions and prevailing industry practice.

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The occurrence of, or any adverse change in, any of these or other factors may materially limit the Company's ability to pay or maintain distributions to Shareholders. Consequently, there is no assurance as to the ability of the Company to pay or maintain distributions in respect of the Shares or that such distributions will be stable or that the level of distributions will increase over time. See "*Distributions*" for more details.

RISKS RELATING TO THE PRC, HONG KONG AND THE ASIA REGION

We are subject to the political, legal and economic risks of doing business in the PRC.

Substantially all of our operations are, and will continue to be, located in the PRC. Our financial condition, results of operations and future prospects depend to a large extent on the success of our operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The following conditions and developments in the PRC may materially and adversely affect our financial condition, results of operations and prospects:

- inflation, interest rates and general economic conditions;
- the introduction of economic policies to control inflation or stimulate growth, change the rate or method of taxation or impose additional restrictions on currency conversions and remittances abroad, where the government has periodically taken measures with the goal to achieve a sustainable level of economic growth;
- demographic factors in the PRC which has a growing population requiring rapid economic growth to assure employment and stability;
- the structure of the economy, where the economy has been transitioning from a planned economy to a more market-oriented economy, but where the government still controls a substantial portion of productive assets, continues to play a significant role in regulating industries through industrial policies and exercises significant control over growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies;
- governmental policies, laws and regulations, including, without limitation, those relating to foreign investment or classification of industries, and changes to such policies, laws and regulations and their implementation and interpretation, which could prevent, delay, increase the cost of or otherwise materially and adversely affect our ability to invest in, acquire or divest, develop, operate or manage our expressway projects;
- changes in PRC tax laws and proposed application and/or interpretation of these laws could increase the PRC tax liability;
- the risk of nationalisation and expropriation of assets;
- currency controls and other regulations, which may affect our ability to receive distributions or other dividends from our subsidiaries or other entities in which we may have any interest, to borrow onshore or offshore where the toll road and

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expressway project or the relevant subsidiary or entity is located, or to carry out acquisition, divestment and capital expenditure plans; and

- political and other conditions.

While the PRC economy has experienced significant growth in the past 20 years, such growth has been uneven, both geographically and among the various sectors of the economy. As a result, our business and our industry may not develop in the same way or at the same rate as might be expected of other sectors of the PRC economy. The PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government however continues to play a significant role in regulating industries by promulgating industrial policies.

We cannot predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, regulations and rules, will have a material adverse effect on our current or future business, results of operations and financial condition. There can be no assurance that the PRC government will continue to pursue its current economic reform policies, or that such policies will successfully create economic growth. In such circumstances, our business, results of operations and financial condition may be materially and adversely affected.

The legal system in the PRC is different from those in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner.

Substantially all of our operations are, and will continue to be, conducted in the PRC, which is a civil law system based on written statutes in which decided legal cases have little value as precedents. Since 1978, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a material adverse effect on our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may materially and adversely affect our business, results of operations and financial condition.

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The recent downgrade in the credit rating of the PRC could impair the Expressway JVs' ability to obtain financing, which could in turn affect the Group's results of operations and financial condition.

In May 2017, Moody's, while raising the PRC's outlook to stable from negative, downgraded the sovereign's credit rating to A1 from Aa3, citing rising debt levels and slowing economic growth. While the entities that would be most heavily impacted by the downgrade are financial institutions and state-owned enterprises, the market may take into account the PRC's credit rating in assessing the credit and financial strength of the Expressway JVs. Further, all of our Expressway JV Partners are either subsidiaries or entities incorporated under the auspices of the local highway bureaus and/or municipal or provincial governments. Their borrowing ability depends to a certain extent on the credit rating of the PRC. As a result, the recent downgrade could materially and adversely affect our Expressway JVs' ability to obtain financing, which could in turn materially and adversely affect our results of operations and financial condition.

In addition, there can be no assurance that the rating agencies will not further downgrade the PRC's current ratings or outlooks. Any potential downgrade may adversely affect the volume and pricing of the Expressway JVs' financing and their financial position, limit their access to the capital and funding markets and trigger additional material collateral requirements, which in turn could materially and adversely affect our results of operations and financial condition.

Profits from joint ventures and subsidiaries in the PRC available for distribution are determined under PRC GAAP.

We derive substantially all of our profits from our joint ventures and subsidiaries established in the PRC. The profits available for distribution by us are therefore dependent on, to a significant extent, the profits available for distribution by our subsidiaries and joint ventures in the PRC. In turn, profits available for distribution by companies established in the PRC are determined in accordance with PRC GAAP, and such profits differ from profits determined in accordance with HKFRSs in certain significant respects, including the recognition of the carrying value of certain assets. In addition, there might be different accounting policies between the Group and the Expressway JVs. For example, certain Expressway JVs calculate amortisation of the concession intangible assets based on a straight line method whereas we (and historically, RKI) calculate it based on usage. Furthermore, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds. Accordingly, the profits available for distribution from our joint ventures and subsidiaries in the PRC may differ from profits determined in accordance with HKFRSs. Any changes in PRC GAAP may affect our ability to pay dividends to shareholders and may materially and adversely affect our results of operations and financial condition.

It may be difficult to enforce against us in the PRC any judgments obtained from non-PRC courts.

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it

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may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “Arrangement”) which was implemented on 1 August 2008 pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. However, there are also many requirements and restrictions under the Arrangement. Therefore, it may be difficult to enforce judgments of Hong Kong court upon the Group or our Directors and executive officers inside the PRC.

We are affected by political and economic risks in Hong Kong.

A portion of our assets and operations are located in Hong Kong. As a result, our results of operations and financial condition may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. On 1 July 1997, sovereignty over Hong Kong was transferred from the United Kingdom to the PRC, and Hong Kong became a Special Administrative Region of the PRC. As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law, which is Hong Kong’s constitution, Hong Kong has a high degree of autonomy except in foreign and defence affairs. Under the Basic Law, Hong Kong has its own legislative, legal and judicial systems and full economic autonomy for 50 years. Nevertheless, there can be no assurance that such policies will not be significantly altered. Future economic, political and social developments in the PRC could have significant effects on Hong Kong, which may materially and adversely affect our business, results of operations and financial condition.

Acts of God, acts of war, epidemics, and other disasters may affect our business.

Our business is subject to general and social conditions in the PRC. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, rainstorm, typhoon, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if any of these natural disasters occurs in the areas in which we operate.

Epidemics threaten people’s lives and may materially and adversely affect their livelihoods as well as living and consumption patterns. Certain areas of the PRC are susceptible to epidemics, such as Severe Acute Respiratory Syndrome (“SARS”), the H5N1 avian flu, H7N9 avian flu and H1N1 influenza, natural disasters or severe weather conditions. The occurrence of an epidemic is beyond our control, and there can be no assurance that the outbreak of SARS, H5N1 avian flu, H7N9 avian flu or H1N1 influenza will not happen again or that an outbreak of other communicable diseases such as Middle East respiratory syndrome or the Zika virus will not occur in the PRC. Any epidemic occurring in areas in which we operate may materially and adversely affect our business, results of operations and financial condition.

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Acts of war and terrorist attacks may cause damage or disruption to our operations, employees, facilities, distribution channels, markets, suppliers and customers, the occurrence of any of which may materially and adversely affect our business, results of operations and financial condition. Potential acts of war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict.

We may not be able to expand our business successfully or to manage our growth effectively in overseas market.

While substantially all of our operations are conducted in the PRC, we may expand our business into overseas market. However, our ability to develop and expand our existing business into overseas market depends on a variety of factors, including:

- delays in obtaining the necessary licence, permits or approvals from the overseas governments;
- delays in obtaining the necessary consents or approvals from our joint venture and business partners;
- delays in obtaining the necessary financing;
- shortages of materials, equipment, contracts and skilled labour;
- labour disputes;
- constructions accidents;
- natural catastrophes and adverse weather conditions;
- lesser familiarity with the business operating environment in overseas market;
- the involvement of lobbyists or other parties against a development project for environment or other reasons;
- changes in government policies or relevant laws or regulations in the overseas markets; and
- economic conditions.

There can be no assurance that we will be able to execute our business expansion plan in overseas market successfully or fully within the expected timetable or at all, or that we will be able to manage our growth effectively, and our failure to do so may materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for the Shares may not develop.

Prior to the Global Offering, there has been no public market for the Shares and an active or liquid market for the Shares may never develop or be sustained after the Global Offering. The Offer Price may differ significantly from the market price for the Shares following the Global Offering. Listing and quotation does not guarantee that a trading market for the Shares will develop or, if a market does develop, the liquidity of that market.

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The price and trading volume of the Shares may be volatile.

The trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment;
- developments in our business sector or in the financial sector generally, including the effect of direct governmental action in the financial markets;
- changes in pricing made by us or our competitors;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for the Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on the Shares;
- sales or anticipated sales of additional Shares;
- involvement in litigation; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and you may lose a significant value on your investment.

The sale of a substantial number of the Shares in the public market could adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by RKI could negatively impact the market price in Hong Kong of the Shares and the Group's ability to raise equity capital in the future at a time and price that it deems appropriate. The Shares held by RKI are subject to certain restrictions regarding their disposal for a period of six months after the date on which trading in the Shares commences on the Stock Exchange. See "*Underwriting—Underwriting Arrangements and Expenses*" for more details. There can be no assurance that RKI will not dispose of any Shares it owns now or may own in the future.

You are cautioned not to place any reliance on any information in press articles or other publications or media regarding the Group or the Global Offering.

There may be press, media, and/or research analyst coverage regarding the Group, its business, its industry and the Global Offering prior to the completion of the Global Offering.

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You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, the Group's business or the industry in which we operate.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

The facts and statistics included in this prospectus relating to the PRC's economy and its transportation sectors might not be accurate.

All facts and statistics in this prospectus relating to the PRC's economy and its transportation sectors are extracted from publicly available publications. While our Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to a lack of information regarding methods or the accuracy of data collection and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

WAIVERS AND CONSENTS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the Listing, we have applied to the Stock Exchange for the following waivers and consents from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The placing of deposits with Hunan Finance Company by Changyi Expressway JV under the Changyi Deposit Service Agreement will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules after Listing. Our Company has received from the Stock Exchange a waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transaction. For more details of such non-exempt continuing connected transaction and the waiver, see *“Connected Transactions—Continuing Connected Transaction Subject To The Reporting and Announcement Requirements but Exempt From The Independent Shareholders’ Approval Requirement”*.

LISTING RULES REGULATION OF THE EXPRESSWAY JVS

LISTING RULES RELATING TO REGULATION OF THE EXPRESSWAY JVS

We invest in and manage the expressways we have interests in through the Expressway JVs formed between our subsidiaries and the Expressway JV Partners. The Expressway JVs do not constitute subsidiaries of our Company for legal or accounting purposes. The Listing Rules currently do not provide any provisions to regulate joint ventures of a listed group.

For the sole purpose of the Listing and the application of the Listing Rules following Listing, however, our existing and future joint ventures are required, in general, to be regulated in a manner consistent with the regulation of subsidiaries of a listed group (apart from Rules 13.12 to 13.19 of the Listing Rules). For example, the joint ventures' activities would be treated as falling within our sphere of activities for the purposes of Rule 13.09(1) of the Listing Rules that relates to the disclosure of inside information.

Transactions undertaken by the Expressway JVs will be treated as transactions of our Company for the purposes of the notifiable transaction rules in Chapter 14 of the Listing Rules. The Expressway JVs will be considered part of our Group for the purposes of applying the connected transaction requirements. Connected persons of our Group will include the directors of the Expressway JVs and the Expressway JV Partners holding a 10% or more interest in the Expressway JVs and their respective associates. As a result, transactions between our Group (including the Expressway JVs), on the one hand, and (i) the Expressway JV Partners holding a 10% or more interest in the Expressway JVs and their associates; or (ii) the directors of the Expressway JVs and their associates, on the other hand, would also be considered connected transactions. Further, the Stock Exchange may exercise its discretion to deem transactions involving amendments to the terms of the joint venture to be connected transactions. Such decision would involve an assessment of materiality and minority shareholders' protection.

In accordance with listing decision "HKEx-LD106-1", the "percentage ratio tests" for classifying different transactions will be adjusted to take into account only the proportion of the transaction attributable to our Group and our Group's share of results, assets and liabilities of the Expressway JVs for the purposes of Chapters 14 and 14A of the Listing Rules. In addition, as our Company's interests in the Expressway JVs are accounted for using the equity method in accordance with Hong Kong Accounting Standard 28, according to which our Company recognises in its consolidated financial statements (after initial investment) only our Company's proportionate interests in the net assets (as opposed to total assets) and profits or loss (as opposed to consolidating the revenue) of the Expressway JVs, the Stock Exchange has confirmed that the denominators for the "revenue test" and the "total assets test" may be modified. This means that the denominators for the "revenue tests" would not be restricted to the total consolidated revenue of our Company but would also include the summation of the total revenue of each Expressway JV multiplied by the profit/cash sharing ratio to which our Group is entitled (after eliminations of intra-Group balances and transactions between our Group and the Expressway JVs, if applicable). Based on this calculation method, our Group's adjusted toll revenue would have amounted to approximately HK\$1,210.7 million for the year ended 31 December 2016. Similarly, the denominator for the "total asset tests" would not be restricted to the total consolidated assets of our Company but would also include the summation of the total assets of each Expressway JV multiplied by the percentage of the registered capital of such Expressway JV held by our Company (after

LISTING RULES REGULATION OF THE EXPRESSWAY JVS

eliminations of intra-Group balances and transactions between our Group and the Expressway JVs, if applicable). Based on this calculation method, the Group's adjusted total assets would have amounted to approximately HK\$7,173.9 million for the year ended 31 December 2016.

In addition, as part of the conditions to Listing, (i) for Chapter 13 of the Listing Rules on continuing obligations, the Expressway JVs will constitute "subsidiaries falling under Rule 13.25(2) of the Listing Rules"; (ii) the provisions of Chapter 15 of the Listing Rules on the issuance of options, rights and warrants will apply to an issuance by the Expressway JVs and their subsidiaries; (iii) Chapter 17 of the Listing Rules will apply to govern the share option schemes of our Company or any of its subsidiaries as well as the subsidiaries of the Expressway JVs; and (iv) Practice Note 15 of the Listing Rules will apply to proposals to effect the separate listing on the Stock Exchange or elsewhere of assets or businesses wholly or partly within our Group, including the operations conducted by the Expressway JVs.

Following Listing, we will include in our annual reports the disclosure of financial information with respect to the Expressway JVs of the type included in this prospectus both to provide additional information to investors and to facilitate computation of the "percentage ratio tests" as described above.

THE STRUCTURE OF AND CONTRIBUTION TO THE EXPRESSWAY JVS

All of the expressways we have interests in were owned by our Expressway JV Partners, all of which are established in the PRC, prior to our acquisition of our interests. The expressways or their operating rights were contributed as capital contribution to the Expressway JVs and will be transferred back to the Expressway JV Partners or the relevant government authority upon expiry of the Expressway JVs.

Whilst the laws of the PRC do not require that expressway interests in the PRC must be held through joint venture companies, as one of the early foreign investors in, and operators of, the toll road business in the PRC, we consider that a joint venture is the optimal model for investment in toll road operations. It allows us to bring governance and management expertise to the Expressway JVs, while the Expressway JV Partners who are owned by local governmental entities and are from the traffic and transportation sectors can contribute their local expertise and help the Expressway JVs in resolving local issues such as dealing with other governmental departments and local citizens.

We believe, based on our industry experience, that the joint venture company model is a common legal structure by which foreign enterprises participate in the toll road business in the PRC.

CONTROL OVER ECONOMIC INTEREST IN AND MANAGEMENT OF THE EXPRESSWAY JVS

We have entrenched adequate safeguards into the Expressway JV Contracts and articles of association of the Expressway JVs to ensure that our share in the economic interest of the Expressway JVs cannot flow to entities other than our Group without our consent. Profit/cash sharing ratios during the term of the joint ventures are set out in the Expressway JV Contracts which can only be varied with agreement of all the joint venture parties. Cash distributions are made by the Expressway JVs to the relevant joint venture

LISTING RULES REGULATION OF THE EXPRESSWAY JVS

parties periodically subject to availability. In addition, each Expressway JV Contract contains clear terms of distribution of the Expressway JV's assets upon termination of the Expressway JV Contract. Generally, on termination upon expiry of the terms of each Expressway JV, the expressway, operating rights and ancillary assets or all fixed assets (as the case may be) are to be returned or transferred to our Expressway JV Partner or the MOT at nil consideration, while the remaining assets (after settlement of liabilities) are to be distributed pro rata according to the profit/cash sharing ratio set out in the Expressway JV Contract or to ensure that the Expressway JV Partner can enjoy substantially the same rate of return on investment. For information on our historical dividend payments and our future dividend policies, see "*Appendix I—Accountants' Report on Historical Financial Information—Historical Financial Information of the Group—Preparation of Historical Financial Information—Historical Financial Information—Notes to Historical Financial Information—13. Dividends*" and "*Distributions—Distribution Policy*" respectively.

The extension of each Expressway JV requires the agreement by all parties to the relevant Expressway JV Contract and relevant regulatory approvals. The dissolution of each Expressway JV requires unanimous approval by all the directors of the board or by all the directors present at the meeting of the board of directors, where applicable, of the relevant Expressway JV.

We participate in the management of the Expressway JVs together with our Expressway JV Partners through directors and senior management staff appointed by us to the Expressway JVs under the terms of the relevant Expressway JV Contracts. Each joint venture partner to an Expressway JV has the right to appoint a number of directors to the board of the Expressway JV that are largely proportionate to their respective equity interest as well as the right to appoint certain senior management staff (for example, the general manager, deputy general manager, finance manager or deputy finance manager) of the Expressway JV.

Certain significant transactions and decisions of each Expressway JV including, among others, alteration of its articles of association, increase in registered share capital, mergers or divestures and a transfer of the interests in the Expressway JVs require unanimous approval by all the directors of the board or by all the directors present at the meeting of the board of directors, where applicable, of the relevant Expressway JV. Other major decisions will in any event require approval by (a) two-thirds of all the directors of the board with at least one from each joint venture partner, (b) more than two-thirds of all the directors present at the board meeting, or (c) more than two-thirds of all the directors present at the board meeting with at least one from each joint venture partner, as applicable, of the relevant Expressway JV. See "*The Expressway Projects—Joint Venture and Project Management Arrangements*" for more details.

In addition, a high quorum requirement applies to the board meetings of all Expressway JVs, being two-thirds of the total number of directors and at least one from each of the joint venture parties to the relevant Expressway JV. In each of the Expressway JVs, our nominee directors represent more than one-third of the total number of its directors.

We believe that we are able to ensure compliance with our continuing obligations under the Listing Rules with respect to activities of the Expressway JVs through the combination of (i) the unanimous or high majority approval requirements and high quorum requirements in the Expressway JV Contracts and articles of association of the Expressway

LISTING RULES REGULATION OF THE EXPRESSWAY JVS

JVs that governs the Expressway JVs; (ii) the directors and senior management staff of each Expressway JV that we appoint; and (iii) internal control and reporting mechanisms implemented by each Expressway JV, which enable business developments and transactions that may be subject to continuing obligations under the Listing Rules to be escalated to our Company through our nominee directors and/or senior management (and to our Expressway JV Partner(s) through its/their nominees) to enable all the joint venture partners to the Expressway JV(s) to discuss and determine whether or not to agree to such developments and/or transactions.

For more details regarding the terms of the Expressway JVs, see “*The Expressway Projects*”. For risk factors relating to the Expressway JVs’ structure and business, see “*Risk Factors—Risks Relating to Our Business and Operations*”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this prospectus 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 in this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, and the Preferential Offering, which together form part of the Global Offering. For applicants under the Hong Kong Public Offering and Preferential Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering and Preferential Offering.

The Hong Kong Offer Shares and Reserved Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Selling Shareholder, any Joint Sponsor, any Joint Global Coordinator, any Joint Bookrunner, any Joint Lead Manager, any Underwriter, any of their respective directors, officers, employees, agents, representatives or advisers or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, subscription, acquisition, sale or delivery made in connection with the Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of such information.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 41,850,000 Hong Kong Offer Shares and the International Offering of initially 376,650,000 International Offer Shares, which includes 43,900,000 Shares being offered under the Preferential Offering, subject to reallocation on the basis as described in "*Structure of the Global Offering*" and assuming the Over-allotment Option is not exercised. The International Offer Shares (other than the Reserved Shares being offered under the Preferential Offering) comprise 224,250,000 New Shares being offered by the Company for subscription and 108,500,000 Sale Shares being offered by the Selling Shareholder for sale.

The Listing is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

to the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Selling Shareholder and the Company agreeing on the Offer Price on or before the Price Determination Date. The International Offering and the Preferential Offering are expected to be underwritten by the International Underwriters. An International Underwriting Agreement relating to the International Offering and Preferential Offering is expected to be entered into on or about Friday, 30 June 2017, subject to the Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) agreeing on the Offer Price.

We expect that the Offer Price will be fixed by agreement among the Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 30 June 2017 and in any event no later than Monday, 3 July 2017. If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse immediately. Further information about the Underwriters and the underwriting arrangements is set out in “*Underwriting*”.

RESTRICTIONS ON THE OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Global Offering (including any additional Shares that may be sold pursuant to the exercise of the Over-allotment Option) and the exercise of the options which may be granted under the Share Option Scheme.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Offer Shares are expected to commence at 9:00 a.m. on Friday, 7 July 2017. The Offer Shares will be traded in board lots of 1,000 Offer Shares each. The stock code of the Offer Shares is 3682.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

HONG KONG BRANCH SHARE REGISTRAR

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering and Preferential Offering will be registered on our Hong Kong register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by the Principal Share Registrar in Bermuda.

STAMP DUTY

Dealings in the Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. See "*Appendix V—Taxation*".

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares or exercising any rights attached to them, you should consult an expert.

We emphasise that none of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Selling Shareholders or us, any of our or their respective directors, officers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person resulting from the subscription for, purchase, holding, disposition of, or dealing in, the Shares or the exercise of any rights in relation to the Shares.

STABILISATION AND OVER-ALLOTMENT

Further details with respect to stabilisation and the Over-allotment Option are set out in "*Structure of the Global Offering—Stabilisation*" and "*Structure of the Global Offering—Over-allotment Option*", respectively.

PROCEDURE FOR APPLICATION

The application procedure for the Hong Kong Offer Shares and Reserved Shares is set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*" and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, and the Over-allotment Option, are set out in “*Structure of the Global Offering*”.

PRACTICE NOTE 15 OF THE LISTING RULES

The Global Offering has been approved by the shareholders of RKI at a special general meeting of the shareholders of RKI held on 7 June 2017. RKI is required to comply with the requirements of Practice Note 15 of the Listing Rules which, among other things, require us to offer the Assured Entitlements to Qualifying RKI Shareholders. For more details of the Assured Entitlements, see “*Structure of the Global Offering—The Preferential Offering*”.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

All figures subject to rounding adjustments are approximations of the actual figures and should be treated as such even though the word “approximately” may not be placed before these figures.

LANGUAGE

In the event of any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus prevails. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translation and for reference only.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollar and of Renminbi amounts into US dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars and of Renminbi into US dollars, and vice versa, in this prospectus was made at the following rates:

- RMB0.87172 to HK\$1.00 (being the prevailing exchange rate on 9 June 2017 set by the PBOC)
- HK\$7.7972 to US\$1.00 (being the noon buying rate in effect on 9 June 2017 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

No representation is made that any amount in Renminbi, Hong Kong dollars or US dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Zen Wei Pao, William (單偉豹) . . .	32 La Salle Road Kowloon Tong Kowloon Hong Kong	Chinese (Hong Kong)
Yu Kam Fat (俞金發)	Flat 3, 12/F, Block D Greenville Gardens Shiu Fai Terrace Hong Kong	Chinese (Hong Kong)
Lee Tak Fai (李德輝)	Flat G, 38/F, Block 1 Double Cove 8 Wu Kai Sha Road Lok Wo Sha Ma On Shan New Territories Hong Kong	Chinese (Hong Kong)

Independent non-executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Wong Wai Ho (黃偉豪)	Flat B, 10/F Kam Kin Mansion 123 Caine Road Hong Kong	Chinese (Hong Kong)
Chow Liang Shuk Yee, Selina (周梁淑怡)	8B Mountain Lodge 44 Mount Kellett Road The Peak Hong Kong	Chinese (Hong Kong)
Ng Chung Wai, David (吳頌煒) . . .	Flat A, 4/F, Block 2 14 Tregunter Path Tregunter The Peak Hong Kong	Chinese (Hong Kong)
Sui Shujing (隋淑靜)	Flat 1A, Building 7 Yourantiandi Garden Nanguang Road Nanshan District Shenzhen Guangdong PRC	Chinese

See “*Directors and Senior Management*” for more details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

J.P. Morgan Securities (Far East) Limited
29th Floor, Chater House
8 Connaught Road Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

Joint Global Coordinators

J.P. Morgan Securities (Asia Pacific) Limited
29th Floor, Chater House
8 Connaught Road Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

Joint Bookrunners

J.P. Morgan Securities (Asia Pacific) Limited
(in respect of the Hong Kong Public Offering)
29th Floor, Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities plc
(in respect of the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

Joint Lead Managers

J.P. Morgan Securities (Asia Pacific) Limited
(in respect of the Hong Kong Public Offering)
29th Floor, Chater House
8 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

J.P. Morgan Securities plc
(in respect of the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong and United States laws

Reed Smith Richards Butler
20/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law

Global Law Office
15/F Tower 1, China Central Place
No. 81 Jianguo Road
Chaoyang District, 100025
Beijing
China

As to Bermuda law

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal Advisers to the Joint Sponsors and Underwriters

As to Hong Kong and United States laws

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District, 100022
Beijing
China

Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Compliance Adviser

First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Principal Place of Business in Hong Kong	Suites 506-8, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Company's Website	www.rkeinternational.com <i>(The information contained in this website does not form part of this prospectus)</i>
Company Secretary	Fong Shiu Leung, Keter Fellow of the Hong Kong Institute of Certified Public Accountants and Certified Practising Accountant of the Australian Society of Certified Practising Accountants
Authorised Representatives	Yu Kam Fat Flat 3, 12/F, Block D Greenville Gardens Shiu Fai Terrace Hong Kong Lee Tak Fai Flat G, 38/F, Block 1 Double Cove 8 Wu Kai Sha Road Lok Wo Sha Ma On Shan New Territories Hong Kong
Audit Committee	Ng Chung Wai, David (<i>Chairman</i>) Wong Wai Ho Sui Shujing
Remuneration Committee	Chow Liang Shuk Yee, Selina (<i>Chairman</i>) Zen Wei Pao, William Wong Wai Ho
Nomination Committee	Sui Shujing (<i>Chairman</i>) Zen Wei Pao, William Ng Chung Wai, David
Investment Committee	Yu Kam Fat (<i>Convenor</i>) Zen Wei Peu Lee Tak Fai Wong Wai Ho Chow Liang Shuk Yee, Selina
Principal Share Registrar and Transfer Office	Conyers Corporate Services (Bermuda) Limited Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

CORPORATE INFORMATION

Principal Banks

China CITIC Bank International Ltd
80 FL. International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

DBS Bank Ltd., Hong Kong Branch
18/F, The Center,
99 Queen's Road Central,
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central,
Hong Kong

REGULATORY OVERVIEW

In this section, the term “highway(s)” comprises the five categories of highways, including expressways, in accordance with the relevant technical standard. See “Glossary of Technical Terms—highway” for more details.

Regulations Related to Foreign Investment, Wholly Foreign-owned Enterprises and Sino-foreign Cooperative Joint Ventures

As a foreign investor under PRC laws, the Company’s PRC subsidiaries and the joint ventures it has interests in are recognised as foreign-invested enterprises, namely, wholly foreign-owned enterprises (except Shenzhen Lulong Investment Management Limited which is a domestic company in the PRC) and sino-foreign cooperative joint ventures.

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法), which was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會, the “NPC”) on 29 December 1993 and became effective on 1 July 1994 (subsequently amended on 28 December 2013 and which became effective on 1 March 2014) which provides that companies established in the PRC may take the form of a limited liability company or company limited by shares. The Company Law of the PRC also applies to foreign-invested limited liability companies unless relevant laws and regulations provide otherwise.

The Law of Wholly Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and amended on 31 October 2000 and 1 October 2016 and the Implementation Measures for the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則) (the “Implementation Measures for WFOE Law”), which were promulgated on 12 December 1990 and amended on 19 February 2014, along with the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (中外合作經營企業法), which was promulgated on 13 April 1988 and amended on 1 October 2016, and the Implementation Measures for the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (中外合作經營企業法實施細則), which were promulgated on 4 September 1995 and amended on 19 February 2014, stipulate the establishment and approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of wholly foreign-owned enterprises and sino-foreign cooperative joint ventures.

Investment activities in the PRC by foreign investors and foreign-owned enterprises are principally governed by The Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄, the “Catalogue”), which was promulgated and has been amended from time to time by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, the “NDRC”). The most recent amendment became effective on 10 April 2015. The Catalogue classifies all foreign investment projects by industries: encouraged, restricted and prohibited industries and contains specific provisions governing market access of foreign capital, and stipulating in detail the rules of entry. The industries not listed in the Catalogue are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Foreign investments in the encouraged category may enjoy certain preferential policies and incentives extended by the government, while restricted category projects may be conducted in accordance with applicable legal and regulatory restrictions. Foreign investments of any kind are banned for industries that fall into the prohibited category. Pursuant to the current Catalogue, the

REGULATORY OVERVIEW

activities primarily engaged in by our PRC subsidiaries fall into the category of encouraged industries.

On 8 October 2016, the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by the MOFCOM came into effect, pursuant to which the establishment of and changes to a foreign-invested enterprise (which is not subject to approval under the special administration measures for foreign investment admission) are required to be filed with the competent commercial authorities. Where such foreign-invested enterprise falls within the record-filing scope stipulated in the interim measures mentioned above, it shall cause its designated representative or entrusted agent to fill out and submit an online application form and relevant documents for record-filing of any change via the comprehensive management system, within 30 days of any of the following changes:

1. where the basic information of the foreign-invested enterprise changes, including its name, registered address, enterprise type, operating period, invested industries, type of business, business scope, whether it falls into the scope of import equipment tax reduction and exemption as prescribed by the state, registered capital, total investment, organisational structure, legal representative, information on its ultimate actual controller, or its contact persons and contact details;
2. where the basic information on the investor of the foreign-invested enterprise changes, including the investor's name, nationality/region or address (place of registration or registered address), licence type and number, amount of subscribed capital contribution, method of contribution, period of contribution, sources of funds or investor type;
3. where the equity (shares) or cooperation rights and interests of the foreign-invested enterprise change;
4. where the foreign-invested enterprise undergoes merger, division or termination;
5. where the property rights and interests of the foreign-invested enterprise are mortgaged or transferred to external parties;
6. where the foreign partners of the foreign-invested enterprise make an early recovery of investment, applicable if the foreign-invested enterprise is a Sino-foreign cooperative joint venture; or
7. where the foreign-invested enterprise is a Sino-foreign cooperative joint venture and it entrusts its operations and management to other parties.

Among the above changes, where any merger, division, capital decrease or other matters are required to be announced in accordance with relevant laws and regulations, the relevant announcement procedures shall be explained when filing is made. Where any of the above changes involves a resolution passed by the highest authority (in the case of a joint venture, being the board of directors, and in the case of a subsidiary, being the shareholders), the time when the resolution is passed shall be taken as the time of occurrence of the change; and where it is otherwise prescribed in the laws and regulations with respect to the conditions required for any change to take effect, the time when the corresponding conditions are met shall be the time of occurrence of the change.

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Regulations on Construction of and Investment in Toll Roads

The Highway Law of the PRC (中華人民共和國公路法, the “Highway Law”) is the basic law within the PRC legal regime applicable to the expressway and toll road business. It was adopted by the NPC on 3 July 1997, and amended in October 1999, August 2004, August 2009 and November 2016. The planning, construction, use and maintenance of roads (including expressways) within the borders of the PRC, including road bridges, road tunnels, road crossings, are subject to supervision and administration of the relevant government authorities and shall comply with the requirements of the Highway Law.

The MOT is responsible for the administration of roads nationwide. The transportation departments of local Governments at or above the county level are responsible for the administration of highways within their administrative jurisdictions.

The PRC Government has placed great emphasis on the development of roads and road construction has been incorporated into the national economic and social development plan, following the principles of comprehensive planning, rational distribution, assured quality, environmental protection, and placing equal emphasis on construction, improvement and maintenance.

The PRC Government encourages domestic and foreign investors to invest in road construction and operation. According to the Highway Law, all roads are protected by the State and no individual or entity shall destroy, damage or illegally occupy roads, land or relevant facilities. Investors shall establish a special purpose project company with legal person status for each road, and the project company is responsible for the development, construction, operation and maintenance of the road in accordance with the relevant laws and regulations. The project companies are allowed to raise funds through issuing stocks and bonds in accordance with laws and administrative regulations.

Highways in China are classified as national highways (國道), provincial highways (省道), county highways (縣道) and township highways (鄉道) according to their significance in the national road network according to the Highway Law.

Classification of highways by technical standards comprises five classes: Expressways, Class I, Class II, Class III and Class IV according to the “Technical Standard of Highway Engineering” (《公路工程技術標準》) (JTG B01-2014) issued by the MOT. See *“Industry Overview—Highway Transportation in China”* for details of the classifications.

The MOT is responsible for drawing up the national road plan in conjunction with the relevant State Council departments and in consultation with the relevant provincial Governments. The national plan is approved by the State Council whereas the provincial Governments in charge of transportation draw up the provincial level road plans in consultation with the lower level Governments bordering the road. The provincial level road plans are approved by the provincial Governments and filed with the MOT.

Feasibility study, survey and design work, which are compulsory prior to the commencement of construction, and approval by the relevant transportation departments, are undertaken only by companies or entities holding the required qualification certificates. Road construction must be carried out in accordance with the infrastructure construction procedures

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provided in laws and regulations. Project companies are required to obtain the necessary approvals, licences and permits for road construction from the transportation departments above the county level.

When the road construction is completed, the roads are examined and checked by the project companies and relevant Governmental authorities (“Construction Checking”). Any road which has not been checked or which is not up to the required standards may not be put into use.

According to the Measures of Completion (Delivery) Checking of Road Construction (公路工程竣(交)工驗收辦法) (the “Checking Measures”) promulgated by the MOT on 31 March 2004 which became effective on 1 October 2004, Construction Checking is divided into two stages: “Delivery Checking” and “Completion Checking”. Delivery Checking is organised by the project company with the participation of the road designer, project manager and contractor after the completion of road construction. According to the Checking Measures, Delivery Checking is a preliminary assessment of the construction work. Its purpose is to examine whether the construction work complies with the requirements of the construction agreement, whether the quality of road meets the required standards, and whether the examined section may be delivered for construction of the next phase. After road construction is complete and the Delivery Checking of each section is conducted, the project company prepares a project delivery checking report. This report is filed with the relevant governing transportation department. Once the Delivery Checking of each section is complete, the project company requests the quality control institutions recognised by the MOT to issue a project inspection report. This report is filed with the relevant transportation department. If the transportation department makes no comments on the report within 15 days after the filing, the road may be put into trial operation. The maximum trial operation period is three years. After the first two years of trial operation, the project company can apply for Completion Checking which is organised by the transportation department. The primary purpose is to inspect and assess the construction and quality of the road, and to assess the performance of each participant in the road construction project. If the road is in compliance with the design standards and the requirements set forth in the construction contract, governmental permits, and relevant laws and regulations, the transportation department decides the grade of the road and issues a project completion evaluation report. If the project company does not file an application for Completion Checking within the three-year trial operation period, the transportation department may order the project company to do so. If the project company fails to comply with the order, the transportation department may suspend the trial operation of the road.

Under the Regulations of the Supervision on the Quality of Highway Projects (公路工程質量監督規定) which became effective on 1 June 2005, the quality supervision authorities examine the quality of the project and issue a quality examination opinion before Delivery Checking, as described in the paragraph above. Before Completion Checking, the quality supervision authorities review and appraise the quality of the project and issue a quality appraisal report. Only after passing the quality appraisal can a road be subject to Completion Checking. Pursuant to Measures for the Supervision and Administration of Highway Construction (公路建設監督管理辦法) which became effective on 1 August 2006, the MOT conducts the supervision and administration of road construction projects throughout the country and, according to its functions and duties, takes charge of preliminary work,

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construction licencing, bidding and tendering, project quality control, the project schedule, capital (資金), safety administration and supervision as well as the inspection and acceptance of completion for the road network construction projects as well as other key road construction projects as decided by the MOT. Except for the functions and duties of supervision and administration as performed by the MOT, the administrative department of communications of the people's government at the provincial level takes charge of the supervision and administration of road construction projects within its administrative region and state road network construction projects and other key road construction projects as decided by the MOT and by the people's government at the provincial level within its administrative region. The transportation departments of local governments at or above the county level take charge of the supervision and administration of road construction projects within their administrative regions.

Regulations on Toll Collection

According to the Highway Law, the State permits the development of toll roads including road bridges and tunnels, but at the same time restricts the number of toll collection stations.

The collection of tolls by the project company operating the road is approved by the relevant authorities at the provincial level including the department of transportation. Approval may be granted for toll roads including:

- roads built by transportation departments of local governments above the county level with loans, or with funds raised from enterprises or individuals;
- roads for which domestic or foreign investors have been assigned the right to collect tolls; and
- roads built with investment from domestic or foreign investors.

Pursuant to the Measures for the Transfer of Rights and Interests in Toll Roads (收費公路權益轉讓辦法) promulgated by the MOT, the NDRC and the MOF on 20 August 2008 and which became effective from 1 October 2008, the rights and interests in a toll road refer to the right to collect tolls and the right to operate advertisements and service facilities along the road; and the transfer of rights and interests in toll roads refers to a paid transfer by the transferor of the legally-acquired rights and interests in a toll road to the transferee after the toll road is complete and open to traffic. The transferor means a domestic or foreign economic organisation that transfers the legally-acquired rights and interests in a toll road with compensation to a transferee, including non-profit organisations with legal person status specialising in the construction and management of toll roads with loans repaid by the government and domestic and foreign economic organisations that invest in, construct and operate commercial highways. The transferee refers to a domestic or foreign economic organisation that lawfully acquires the rights and interests in a toll road from the transferor for compensation. Regarding the transfer of the right of toll collection of a Government-repaying-loan Toll Road (政府還貸公路), the parties concerned may apply to the people's government at the provincial level for extension of the toll collection period subject to a maximum of five (5) years.

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Pursuant to the Administrative Regulations on Toll Road (《收費公路管理條例》) promulgated by the State Council on 13 September 2004 and effective on 1 November 2004, the MOT requirements for toll roads include:

- consecutive mileage of no less than 30 km for expressway, except for an expressway from the urban area to the local airport;
- consecutive mileage of no less than 50 km for a Class I Highway; and
- mileage of no less than 800 metres for a bridge or tunnel with two lanes, or 500 metres for a bridge or tunnel with four lanes.

Operators of roads that are second grade or lower shall not be approved to collect tolls, except for those legally approved with a consecutive mileage of no less than 60 km located in the central and western provinces.

The set-up of toll collection stations on a road is approved by the provincial department pursuant to the following requirements:

- for expressways and other access-controlled toll roads, collection stations may be set up only at the entrance and exit of the road, except at the connection points between provinces; and
- the distance between two collection stations on non-access-controlled toll roads shall not be less than 50 km.

The time period for toll collection of any toll road is subject to the examination and approval of the people's government of the provinces, autonomous regions or municipalities directly under the central government in accordance with the following provisions: (1) the concession period for a Government-repaying-loan Toll Road (政府還貸公路), shall be determined in accordance with the principle of repaying the loans or the funds raised with compensation through the collection of tolls. The maximum concession period may not exceed 15 years. For a Government-repaying-loan Toll Road located in a central or western province, autonomous region or municipality directly under the central government, which is defined as such by the State, the concession period for toll collection may not exceed 20 years; and (2) the concession period for a For-profit Toll Road shall be determined in accordance with the principle of redemption of investment with reasonable returns, with a maximum concession not exceeding 25 years. For For-profit Toll Roads located in a central or western province, autonomous region or municipality directly under the central government, which is defined as such by the State, the concession period shall not exceed 30 years.

In July 2015, the MOT promulgated the “Administrative Regulations on Toll Roads (Revised Draft for Comment)” (《收費公路管理條例》(徵求意見稿)) outlining planned adjustments to toll collection periods, which would allow for longer concession periods for toll roads and maintenance charges after concession expiration. They would allow the concession period for certain toll roads to exceed 30 years if the investment is large and the investment return period is long. As of the Latest Practicable Date, the amendment has not been put into effect.

The toll rates shall be fixed by holding public hearings in accordance with the provisions of the laws and administrative regulations on pricing, and shall be subject to examination and approval in accordance with the following procedures: (1) the toll rates for a

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Government-repaying-loan Toll Road shall be verified by the competent department for transport under the people's government of the province, autonomous region or municipality directly under the central government in conjunction with the competent department for pricing and the finance department at the same level, and then submitted to the people's government at the corresponding level for examination and approval; and (2) the toll rates for a For-profit Toll Road shall be verified by the competent department for transport under the people's government of the province, autonomous region or municipality directly under the central government in conjunction with the competent department for pricing at the same level, and then submitted to the people's governments at the corresponding level for examination and approval.

Pursuant to the Highway Law, in cases where a toll road for which the toll collection right is acquired from a third person, including the government or investors, the toll collection right shall revert to the transferor when the contract term expires. In cases where a toll road is built with investment from and operated by domestic or foreign investors, the road shall revert to the State without compensation and will then be operated by the relevant transportation department.

On 27 November 2006, the MOT issued a Notice on Further Regulating the Administration of Toll Roads (交通部關於進一步規範收費公路管理工作的通知) (the "MOT Notice"). Pursuant to the MOT Notice, Class II highways shall not be approved for construction in the eastern provinces and the set-up of toll collection stations on Class II highways in central or western provinces shall also be restricted. On 10 June 2011, the MOT, the Ministry of Finance ("MOF"), the NDRC, the Ministry of Supervision, and the Office of Redressing Malpractices of State Council issued a Notice on Specified Work on correcting the toll collection of Toll Roads (關於開展收費公路專項清理工作的通知) (the "Joint Notice"). Pursuant to the Joint Notice, the provincial government will lead the work of correcting unreasonable toll collection and cancel the projects of which the authorised period for toll collection has expired. In December 2012, the MOT issued Emergency Notice on Expediting the Cleaning Up of the Toll Road Relevant Issues Rectification Work Progress and Submit the Relevant Materials (關於加快收費公路專項清理相關問題整改工作進度並報送有關材料的緊急通知), urging the provincial government to expedite the correction process.

In accordance with an approval letter issued to the MOT and the PBOC by the State Council dated 26 April 1999, a toll collection right may be pledged to secure bank loans provided by domestic banks to the operator of the toll road. The pledge shall be registered with the transportation department at or above the municipal level. The pledgee of the toll collection right may enforce the pledge in accordance with the laws and regulations.

On 27 October 2005, the MOT promulgated the Guiding Opinion of Charge by Weight on Toll Roads for Trial Implementation (關於收費公路試行計重收費的指導意見). The MOT put forward the guiding opinion on road freight vehicle tolling by weight based on the practice and experience throughout the country. Pursuant to the Urgent Notice on Further Improving Policies for Green Passage of Fresh Agricultural Products (關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知) promulgated jointly by the MOT, the NDRC and the MOF, all toll roads have to adopt the "Green Passage Toll Free Policy" for fresh agricultural products with effect from 1 December 2010.

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The State Council issued the Notice of the State Council on the Implementation on the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays (國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知) (the “Holiday Toll-Free Policy”) promulgated by the MOT, the NDRC, the MOF, the Ministry of Supervision, and the Office of Redressing Malpractices of the State Council, on 24 July 2012. Pursuant to the Holiday Toll-Free Policy, small passenger vehicles with seven seats or less are entitled to use certain toll roads during major statutory holidays in the PRC free of charge.

To promote and standardise the public-private-partnerships of toll roads, the General Office of the MOT published Guidelines in relation to Cooperation between Toll road government and social capital (《收費公路政府和社會資本合作操作指南(試行)》) in December 2015. On 30 December 2016, the General Office of NDRC and the General Office of MOT issued a notice on further intensifying preliminary work of public-private-partnerships of toll roads (《關於進一步做好收費公路政府和社會資本合作項目前期工作的通知》).

Intellectual Property Rights

Trademark

As required by the Trademark Law of the PRC (中華人民共和國商標法) (effective on 1 March 1983, amended on 27 October 2001 and subsequently amended on 30 August 2013 with effect from 1 May 2014) and the Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) (effective on 15 September 2002 and which was amended on 29 April 2014), the Trademark Office of the State Administration for Industry and Commerce (“SAIC”) (the “Trademark Office”) is responsible for the registration and administration of trademarks in the PRC. The Trademark Review and Adjudication Board of the SAIC under the State Council is responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. A trademark registrant enjoys an exclusive right to use the trademark. Any visible mark in the form of a word, graphic, alphabet letter, number, 3D (three-dimension) mark, colour combination or a combination of these elements that can distinguish the products of any natural person, legal person or other organisations from those of others can be registered as a trademark. A trademark for which an application is filed for registration must be sufficiently distinctive so as to be distinguishable, and must not conflict with the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words “Registered Trademark” or use a sign indicating that it is registered.

A public announcement must be made upon completion of a preliminary examination of the trademark pending registration by the Trademark Office. Any person with a pre-existing right or interests may, within three months from the date of announcement, file an opposition against the trademark that has been preliminarily approved upon examination. If no objection has been received upon expiry of such period, the registration is approved. A certificate of trademark registration will be issued and the trademark will be published. The validity period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration must be made within twelve months before such expiration. Where no application has been filed within such period, a

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grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark is cancelled. The validity period of each renewal of registration is ten years. Any renewal of registration is published after it has been approved.

Any of the following acts constitute an infringement of the right to the exclusive use of a registered trademark: (1) using any trademark which is identical to a registered trademark on the same kind of products without any licence from the registrant of the registered trademark; (2) using any trademark which is similar to a registered trademark on the same kind of products, or using any trademark that is identical to or similar to the registered trademark on similar goods without a licence from the registrant of the registered trademark, which is likely to cause confusion; (3) selling goods that infringe the exclusive right of trademark use of a registered trademark; (4) counterfeiting or unauthorised production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorisation; (5) changing a registered trademark and putting the goods with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) aiding and abetting activities infringing another's exclusive right of trademark use, and facilitating others to commit an infringement of the exclusive right of trademark use; or (7) causing other damage to a trademark holder's exclusive right of trademark use.

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (中華人民共和國專利法), promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, and its Implementation Rules (中華人民共和國專利法實施細則), which were promulgated by the State Council on 15 June 2001 and amended on 28 December 2002 and 9 January 2010. The Patent Law of the PRC and its Implementation Rules provide three types of patents: "invention", "utility model" and "design"; "invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, colour or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" or "design" is 10 years, starting from the date of application.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網絡域名管理辦法), promulgated on 5 November 2004 and which became effective on 20 December 2004, "domain name" refers to the character mark of hierarchical structure which identifies and locates a computer on the Internet and corresponds to the Internet Protocol (IP) address of that computer. The principle of "first come, first served" is followed for domain name registration. After completing domain name registration, the applicant becomes the holder of the relevant domain name. To maintain the domain name registration, the holder must pay operation fees at specified times. If the domain name holder fails to pay any fees as required, the original domain name registrar will strike it off and notify the holder of the domain name in writing.

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Computer Software Copyright

Pursuant to the Computer Software Copyright Registration Measures (計算機軟件著作權登記辦法), promulgated on 20 February 2002 and amended on 18 June 2004, the National Copyright Administration of China (“NCAC”) is the competent authority for the nationwide administration of software copyright. The NCAC has designated the Copyright Protection Centre of China (“CPCC”) as the software registration authority. The CPCC may establish working bodies for software registration at relevant places and the establishment is submitted to NCAC for record within one month from the date of the establishment. Software for which an application for registration may be made shall be either independently developed software or software formed by modification of certain existing software to realise significant improvement in functionality or performance, subject to the original copyright owner’s authorisation.

Foreign Currency Exchange and Dividend Distribution

Foreign currency exchange

Pursuant to the (Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例), (the “Foreign Exchange Administration Rules”) which were promulgated by the State Council of the PRC (中華人民共和國國務院) on 29 January 1996 and which became effective on 1 April 1996 and were subsequently amended on 14 January 1997 and 5 August 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as capital transfers, direct investments, or investments in securities, derivative products or loans unless prior approval of the competent authorities for the administration of foreign exchange is obtained.

On 30 March 2015, the SAFE promulgated the Circular on Reform of the Administrative Method of the Settlement of Foreign Currency Capital by Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知), (the “SAFE Circular 19”) which became effective on 1 June 2015. SAFE Circular 19 provides greater flexibility to FIEs in converting foreign exchange in their capital account into Renminbi. In particular, it provides that FIEs are allowed to use their converted Renminbi to make equity investments in the PRC after performing relevant procedures. Under SAFE Circular 19, FIEs may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi must be kept in a designated account and, if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted RMB within their approved business scope.

Dividend Distribution

The principal laws governing dividend distributions include the PRC Company Law as well as the Law Concerning Wholly Foreign-Owned Enterprises and its implementing regulations, and the Law on Sino-foreign Cooperative Joint Ventures and its implementing regulations.

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Under these laws and regulations, PRC companies, including wholly foreign-owned enterprises and sino-foreign cooperative joint ventures, may pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting principles.

Profits of a wholly foreign-owned enterprise shall not be distributed before the losses thereof for the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

The Chinese and foreign parties to a sino-foreign cooperative joint venture may distribute the income of the sino-foreign cooperative joint venture by distributing profits or assets or using other methods agreed upon by the parties. In the case of income distribution by distributing assets or using other methods, the tax payable thereon shall be calculated according to relevant provisions of the tax law. The Chinese and foreign parties to a sino-foreign cooperative joint venture shall distribute revenues and be responsible for the risks and losses according to their agreement under the joint venture contract. Where the Chinese and foreign parties to a sino-foreign cooperative joint venture agree under the joint venture contract that all fixed assets of the sino-foreign cooperative joint venture shall be vested in the Chinese party thereto upon expiry of the term of the joint venture, both parties may, during the term of joint venture, agree to increase the percentage of income distribution to the foreign partner and allow the foreign partner to recover its investment ahead of schedule.

Cash distributions representing the profit entitlement of the foreign investors can be legally remitted out of the PRC to the foreign investor without the need to obtain prior approval or authorisation of the relevant foreign exchange bureau provided that such cash distributions are legally payable and the payment of such cash distributions complies with the applicable procedural provisions of the PRC laws, the relevant terms of the respective joint venture agreements and the articles of association of the Expressway JVs. The remittance of dividends and other distributions/payments representing the profit entitlement of the Company out of the PRC can be processed through commercial banks which provide such remittance services. According to the Rules for the Implementation of the Guidelines for the Foreign Exchange Administration of Trade and Services (《服務貿易外匯管理指引實施細則》) and Notice of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving the Authenticity Review (《國家外匯管理局關於進一步促進貿易投資便利化完善真實性審核的通知》), if a company intends to remit profits of an amount exceeding US\$50,000 out of the PRC, it shall submit the resolution of its board of directors on the distribution of profit, original tax record forms, and financial statements demonstrating the profit to be distributed represents the profit to be remitted out of the PRC. Upon each outward remittance of profit, the processing bank shall stamp and endorse the relevant original tax record forms with the actual remittance amount and remittance date. For any one single outward remittance involving an amount of not more than US\$50,000 or its equivalent, the processing bank is generally not required to examine the transaction documents. However, for foreign exchange receipts and payments for which the nature of funds is unclear, the processing bank may require the relevant domestic company or individual to provide transaction documents for review.

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Land Development

Pursuant to the PRC Land Administration Law (中華人民共和國土地管理法) promulgated on 25 June 1986 and amended on 28 August 2004, any State-owned land to be used for construction purposes shall be granted by assignment with compensation (出讓等有償方式). However, land use rights for the purpose of construction of urban infrastructure, public welfare undertakings and transportation infrastructure with priority in aid by the State shall be obtained through allocation with the approval of government above the county level.

Under the Directory of Allocated Land (劃撥用地目錄) promulgated by the Ministry of Land and Resources on 22 October 2001, allocated land use rights may be provided for land used for roads and transportation facilities, including: (1) roads, bridges, crossover works, tunnels and ferry crossings; (2) facilities for roads communication, supervision and control and security; (3) expressway service areas (except the land used for generating profits within the area); working areas for road maintenance staff (公路養護道班); and (4) facilities for defence, drainage, flood prevention, wind and sand prevention and the facilities for environmental protection and supervision that are established outside the land used for road development.

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “Environmental Protection Law”) which was promulgated and became effective on 26 December 1989 and which was amended on 24 April 2014 with effect from 1 January 2015, any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces; any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefor.

The Ministry of Environmental Protection imposes different penalties on persons or enterprises who are in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

On 19 December 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Consecutive Punishments on a Daily Basis by Environmental Protection Authorities (環境保護主管部門實施按日連續處罰辦法), which came into effect on 1 January 2015. The measures specify the basis, principle, scope, procedure and method of calculating the punishments on a daily basis. The number of days during which a polluter is subject to consecutive daily fines shall commence from the day immediately following the day when the written decision that orders the polluter to correct illegalities is served on the polluter, and shall end on the day when the relevant competent environmental protection

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department finds, upon re-inspection, that the polluter's illegal discharge of pollutants has ceased.

The Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on 28 February 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) which was amended by the Standing Committee of the NPC on 29 April 2000 and 29 August 2015, the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated by the Standing Committee of the NPC on 29 October 1996 and which became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was amended by the Standing Committee of the PNC on 29 December 2004 and 29 June 2013, prescribe details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

Environmental Protection for Construction Projects

According to the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), which were promulgated and became effective on 29 November 1998, the PRC government has implemented a system that evaluates the environmental impact of a construction project. A construction unit should, during the phase of feasibility study, submit a construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. For construction projects that do not require any feasibility study pursuant to relevant state provisions, the construction unit should, prior to the commencement of the construction work, submit a construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Additionally, the construction unit should, upon the completion of the construction project, file an application with the competent department of environmental protection administration that examined and approved the environmental impact report, environmental impact statement or environmental impact registration form for the relevant construction product for acceptance checks. These acceptance checks are related to completion of construction of the environmental protection facilities required for the project. For construction projects that are built in phases, or put into production or delivered for use in phases, acceptance inspections for their corresponding environmental protection facilities should be conducted in phases.

Employment and Social Insurance

Labour Contracts

Pursuant to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "Labour Contract Law"), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and which became effective on 1 January 2008 and which was amended in December 2012 and became effective on 1 July 2013, an employment relationship should be protected by a written labour contract which shall be entered into within one month from the date on which the employee commences work. Where the employer fails to enter into a written labour contract with the employee for more than one month but less than a year from the date employment commences, the employer shall pay the employee twice his or her salary for each month of the relevant period. In addition, if the employer fails

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to conclude a written labour contract with the employee within one year from the date when it employs the employee, it shall be deemed to have concluded an open-ended contract (無固定期限勞動合同) with the employee.

Social Insurance and Housing Provident Fund

As required under the Regulation of Insurance for Labour Injury (工傷保險條例), which was implemented on 1 January 2004, amended on 20 December 2010 and which became effective on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance programme for Urban Workers of the State Council (國務院關於建立城鎮職工基本養老保險制度的決定) promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例) promulgated on 22 January 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法) implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises must also apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise does not pay the full amount of the social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of the overdue payment.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, which became effective on the same day and which was amended on 24 March 2002, enterprises must register with the competent managing centre for housing funds and, upon the examination by such managing centre of housing fund, complete the procedures for opening an account at the relevant bank for the deposit of employee's housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time period.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of the Group's key corporate and business development milestones in respect of our current portfolio of businesses:

<u>Year</u>	<u>Key Events</u>
1994	RKC was established by ZIL in October and AIG-AIF joined ZIL as shareholders of RKC later in November.
1996	RKI was incorporated in Bermuda as an investment holding company. The shares of RKI became listed on the Stock Exchange in July.
1997	We formed the Changyi Expressway JV.
2003	We formed the Baojin Expressway JV.
2005	We formed the Tangjin Expressway JV.
2011	We acquired a 40.0% equity interest in the Longcheng Expressway JV.
2014	We acquired a 49.0% equity interest in the Machao Expressway JV.

During the Track Record Period, our Expressway JVs received the following awards:

<u>Expressway JV</u>	<u>Key Awards</u>
Changyi Expressway JV	"Provincial Award for Excellence in Management and Operation of Expressway" for 2014 and 2015 issued by Hunan Provincial Expressway Management Bureau (湖南省高速公路管理局)
Machao Expressway JV	"Provincial Award of Role Model Organisation in Transportation" for 2013-2014 issued by Anhui Provincial Transportation Department (安徽省交通運輸廳)
Tangjin Expressway JV Baojin Expressway JV	"World Standards Certification—Expressway Operation and Management" issued in 2016 by Beijing World Standards Certification Center Company Limited (北京世標認證中心有限公司)

CORPORATE HISTORY AND DEVELOPMENT OF OUR GROUP

Our investment holding companies

RKC, the company which held all our toll road interests prior to the Reorganisation and through which we currently hold all of our expressway interests after the Reorganisation, was incorporated on 5 October 1994. It became an indirectly wholly-owned subsidiary of Wai Kee on 18 October 1994.

In November 1994, in order to finance the development of its toll road projects, RKC, to which all of Wai Kee Group's then existing interests in the road projects were transferred, raised funds in the amount of HK\$320 million by issuing new shares for cash at par to AIG-AIF, as a result of which RKC became owned as to 60% by Wai Kee Group and 40% by AIG-AIF. Wai Kee Group was paid a premium of HK\$49.5 million by AIG-AIF as part of this transaction.

Over the two years that followed, between February 1995 to March 1996, RKC made six further issues of new shares for cash at par to each of Wai Kee Group and AIG-AIF pro rata to their 60:40 shareholding, raising a total of HK\$500 million to finance its investments in toll roads.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Later in March 1996, Wai Kee Group sold a 5% interest in RKC to HPEM Funds for a total consideration of HK\$128 million. Subsequently in May 1996, Wai Kee Group exercised an option to purchase from AIG-AIF a 5% shareholding in RKC for a price of approximately HK\$90.82 million (determined on terms agreed with AIG-AIF on its initial investment in RKC and includes a premium at the compound rate of 25% per annum between the date of completion of AIG-AIF's initial subscription and the date of exercise of the option by Wai Kee Group). Following these transactions, Wai Kee Group and AIG-AIF had a 60% and 35% attributable interest in RKC, respectively, while the balance was held by HPEM Funds.

In June 1996, the shareholding interests of Wai Kee Group, AIG-AIF and HPEM Funds in RKC were sold to RKI in exchange for pro rata interests in RKI. RKC became and continues to be a wholly-owned subsidiary of RKI. The shares of RKI became listed on the Exchange on 4 July 1996 following a public offering of new shares (representing approximately 26% of the shares of RKI immediately following the offering) raising gross proceeds of approximately HK\$1,180 million. At the time of RKI's listing, Wai Kee Group held an approximately 44.4% shareholding in RKI and has since remained the single largest controlling shareholder of RKI.

For more details on the corporate shareholding histories of each of the intermediate holding companies through which we hold our interests in the Expressway JVs, see "*Appendix VI—Statutory and General Information—A. Further Information about Our Company and Our Group*".

Our expressway joint ventures

Our investments in toll roads have historically included both toll collecting expressways and highways. As we have in recent years been exiting our highways investments, as part of the Reorganisation, our residual interests in highway joint ventures have been transferred to the Remaining RKI Group. We therefore discuss below our corporate history relating to our investments in expressway joint ventures.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Details of expressway joint ventures we formed in the earlier years of our history and which we have subsequently divested are as follows:

Expressway project ⁽¹⁾⁽²⁾	Date of our joint venture agreement(s) (Date of establishment of expressway joint venture)	Total registered capital of expressway joint venture (year)	Our (cumulative) capital contribution (year) ⁽³⁾	Percentage of registered capital held by us (year)	Term of joint venture (expiry date)	Date of transfer agreement (consideration)
Meiguan Expressway	4 December 1993 (8 March 1994)	RMB105 million (1993)	RMB47.25 million (1993)	45% (1993)	25 years (expiring on 8 March 2019), subsequently extended to 30 years in 1996 (expiring on 8 March 2024)	5 March 1999 (RMB625.2 million)
		RMB200 million (1994)	RMB90 million (1994)	45% (1995)		
		RMB249 million (1995)	RMB112.05 million (1995)	45% (1996)		
		RMB332.4 million (1996)	RMB149.58 million (1996)			
Guangsan Expressway	4 February 1994 ⁽⁴⁾ (19 June 1993)	US\$13.8 million (1993)	Nil ⁽⁴⁾	Nil ⁽⁴⁾	12 years (expiring on 19 June 2005), subsequently extended to 25 years in 1994 (expiring on 19 June 2018)	9 October 2006 (nil consideration)
		US\$33.72 million (1994)	US\$11.8 million (1994)	35% (1994)		
Jihe Expressway	5 September 1996 (4 October 1996)	RMB330 million (1996)	RMB148.5 million (1996)	45% (1996)	30 years (expiring on 4 October 2026)	1 June 2009 (RMB1,068.8 million)
		RMB440 million (1996)	RMB198 million (1996-1997)	45% (1997)		

Notes:

- (1) Meiguan Expressway was a 19.3 kilometres six-lane and four-lane toll expressway linking Meilin Checkpoint of Shenzhen City of Guangdong Province to Guanlan Liguang Checkpoint of Shenzhen City of Guangdong Province. Guangsan Expressway was a 52 kilometres four-lane toll expressway which forms part of the major highway system linking Guangzhou City to the western part of Guangdong Province and other provinces west of, and neighbouring, Guangdong Province. Jihe Expressway was a 23.31 kilometres six-lane toll expressway linking Qinghu Interchange at Meiguan Expressway to He'ao, Guangdong Province.
- (2) The expressway joint venture partners of the Meiguan Expressway joint venture, Guangsan Expressway joint venture and Jihe Expressway joint venture and the percentage of registered capital held by them at the time we became a joint venture partner in the relevant expressway joint venture and immediately prior to our disposal are as follows:

Expressway project	Expressway joint venture partner	Percentage of registered capital held by expressway joint venture partner at the time we became a partner of the expressway joint venture	Percentage of registered capital held by expressway joint venture partner immediately prior to disposal
Meiguan Expressway	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司)	55%	55%
	Foshan Highway Construction Company (廣東省佛山公路工程公司)	55%	65%
	Full Luxury Limited (香港豐利年有限公司)	10%	0% ⁽⁵⁾
Jihe Expressway	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (previously known as Shenzhen Expressway Development Company (深圳高速公路開發公司))	55%	55%

Had the Listing taken place at such time, each of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) and Foshan Highway Construction Company (廣東省佛山公路工程公司) would have been considered a connected person of the Company solely because each of them holds 10% or more equity interest in the relevant expressway joint venture company. At the time of entering into the agreements for the formation or the acquisition of the Meiguan Expressway joint venture and the Guangsan Expressway joint venture respectively, they were Independent Third Parties.

- (3) Our capital contributions, both initially and subsequently upon increase in the registered capital (if any), were in the form of cash. Both initial and subsequent capital contributions upon increase in the registered capital (if any) by the joint venture

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

partners were also in the form of cash except for the contribution by the expressway joint venture partner of the Meiguan Expressway joint venture which was in the form of cash and construction in progress.

- (4) We acquired our 35% interest in the Guangsan Expressway joint venture, an expressway joint venture formed on 19 June 1993 between Foshan Highway Construction Company (廣東省佛山公路工程公司) and Full Luxury Limited (香港豐利年有限公司), an Independent Third Party, pursuant to a supplemental joint venture agreement dated 4 February 1994.
- (5) On 8 March 1999, Full Luxury Limited (香港豐利年有限公司) withdrew from the Guangsan Expressway joint venture and transferred its 10% equity interest to Foshan Highway Construction Company (廣東省佛山公路工程公司).

We transferred, pursuant to an agreement dated 9 October 2006, our 35% equity interest to Foshan Longcheng Highway Investment Company Limited (佛山市龍成公路投資有限公司), Guangdong Expressway Company Limited (廣東省高速公路有限公司), Foshan Nanhai Land Resources Development Company (佛山市南海土地資源開發總公司) and Foshan Sanshui District Traffic Infrastructure Construction Group Company (佛山市三水區交通基礎建設集團公司) at nil consideration after we received by way of distribution from Guangsan Expressway joint venture of approximately RMB850.5 million as guaranteed under the initial terms of our investment in the Guangsan Expressway joint venture after which we were no longer entitled to further distribution under the terms of the expressway joint venture. The transfer was in compliance with relevant laws and regulations.

We transferred, pursuant to an agreement dated 5 March 1999 and an agreement dated 1 June 2009, our 45% equity interest in the Meiguan Expressway joint venture and the Jihe Expressway joint venture respectively to our expressway joint venture partner, Shenzhen Expressway Company Limited (深圳高速公路股份有限公司), because we considered that the disposals represented a good opportunity for us to realise our investment in the Meiguan Expressway and the Jihe Expressway and we recorded, as a result, a gain on disposal of our equity interest in the Meiguan Expressway joint venture and the Jihe Expressway joint venture of approximately HK\$212 million and HK\$563 million respectively. The transfers were in compliance with relevant laws and regulations.

Details of the Expressway JVs we acquired and which we currently hold are as follows:

Expressway project ⁽¹⁾	Date of the Expressway JV Contract(s) ⁽²⁾ (Date of establishment of Expressway JV ⁽⁵⁾)	Total registered capital of Expressway JV ⁽²⁾ (RMB' million) (year)	Our (cumulative) registered capital contribution ⁽³⁾ (RMB' million) (year)	Percentage of registered capital held by us	Term of joint venture (expiry date)
Changyi Expressway	29 August 1997	556.0 (1997)	240.0 (1997)	43.17% (1997)	27 years (expiring on 13 October 2024)
	(14 October 1997)	573.0 (2000)	247.4 (2000)	43.17% (2000)	
Baojin Expressway	27 June 2003 (3 September 2003)	960.0 (2003)	384.0 (2003)	40% (2003)	30 years (expiring on 2 September 2033)
Tangjin Expressway	17 January 2005 (31 January 2005)	710.1 (2005)	319.6 (2005)	45% (2005)	18 years (expiring on 30 January 2023)
Longcheng Expressway	14 April 2011	1,000.0 (2011) ⁽⁴⁾	400.0 (2011)	40% (2011)	30 years (expiring on 17 June 2041)
	(15 January 2008) ⁽⁴⁾	1,467.0 (2012)	660.2 (2012)	45% (2012)	
Machao Expressway	16 April 2014 (6 December 2010) ⁽⁵⁾	575.0 (2014) ⁽⁵⁾	281.8 (2014)	49% (2014)	30 years (expiring on 22 May 2044)

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) As at the Latest Practicable Date, the Expressway JV Partners and the percentage of registered capital held by them are as follows:

<u>Expressway Project</u>	<u>Expressway JV Partner</u>	<u>Percentage of registered capital held by the Expressway JV Partner</u>
Changyi Expressway	Hunan Expressway Construction Development Company (湖南省高速公路建設開發總公司)	56.83%
Baojin Expressway	Hebei Provincial Expressway Development Company (河北省高速公路開發有限公司)	60%
Tangjin Expressway	Hebei Provincial Expressway Development Company (河北省高速公路開發有限公司) (previously Hebei Province Road Investment and Management Office (河北省道路投資管理處))	55%
Longcheng Expressway	Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (晉中市公用基礎設施投資控股(集團)有限公司) (previously known as Jinzhong Public Infrastructure Investment and Construction Company Limited (晉中市公用基礎設施投資建設有限責任公司))	54.02% ⁽⁶⁾
	Jinzhong Lutong Highway Development Company Limited (晉中路通公路開發有限公司)	0.98%
Machao Expressway	Anhui Transportation Holding Group Company Limited (安徽省交通控股集團有限公司) (previously Anhui Transportation Investment Group Company Limited (安徽省交通投資集團有限責任公司))	51%

Hunan Expressway Construction Development Company (湖南省高速公路建設開發總公司), Hebei Provincial Expressway Development Company (河北省高速公路開發有限公司), Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (晉中市公用基礎設施投資控股(集團)有限公司) and Anhui Transportation Holding Group Company Limited (安徽省交通控股集團有限公司), all being 100% PRC state-owned companies, are considered a connected person of the Company solely because each of them holds a 10% or more equity interest in the relevant Expressway JV. At the time of entering into the agreements for the formation of the relevant Expressway JV, each of them was an Independent Third Party.

- (2) A number of our expressway projects are held through multiple joint venture enterprises (see “History, Development and Corporate Structure—Reorganisation—Note (2)”). The registered capital of, and our cumulative capital contribution to, all Expressway JVs that relate to one expressway project have been aggregated for the purposes of this table. Each Expressway JV is governed by the terms of an Expressway JV Contract entered into between us and our Expressway JV Partners and the articles of association of that Expressway JV.
- (3) Our capital contributions, both initially and subsequently upon increase in the registered capital (if any), were in the form of cash. Both initial and subsequent capital contributions upon increase in the registered capital (if any) by our Expressway JV Partners were also in the form of cash except for the initial contributions by our Baojin Expressway JV Partner and the Tangjin Expressway JV Partner which were in the form of assets the value of which corresponds to the their toll fee charging right.
- (4) Longcheng Expressway JV became an Expressway JV with effect from 17 June 2011. The registered capital before it became an Expressway JV was RMB100 million. After it became an Expressway JV, its registered capital increased to RMB1,000 million in June 2011. As one of the joint venture partners that was to hold 9% of the registered capital in the Longcheng Expressway JV failed to pay its capital contribution, we agreed to contribute a total of RMB50 million for an additional 5% of the registered capital. As a result, the percentage of registered capital held by us in the Longcheng Expressway JV increased to 45%.
- (5) Machao Expressway JV was wholly-owned by the Machao Expressway JV Partner before it became an Expressway JV with effect from 22 May 2014. The registered capital of the Machao Expressway JV before it became an Expressway JV was RMB286 million. After it became an Expressway JV, its registered capital increased to RMB575 million in September 2014.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (6) The board of directors of Longcheng Expressway JV approved by way of written resolutions dated 15 February 2017 the proposed transfer by Jinzhong Public Infrastructure Investment Holding (Group) Company Limited of 3.02% (out of 54.02%) of its equity interest to Shanxi Jinzhong Road and Bridge Development Group Company Limited (山西省晉中路橋建設集團有限公司). The percentages of registered capital held by Jinzhong Public Infrastructure Investment Holding (Group) Company Limited and Shanxi Jinzhong Road and Bridge Development Group Company Limited (as a new Longcheng Expressway JV Partner) are to be changed accordingly. The percentage of equity interest and registered capital held by our Group and Jinzhong Lutong Highway Development Company Limited are to remain unchanged. The existing management model and ratio of directors from our Group and Jinzhong Public Infrastructure Investment Holding (Group) Company Limited are to remain unchanged. As of the Latest Practicable Date, such proposed transfer has not yet come into effect, as it is subject to completion of approval procedures.

Reorganisation

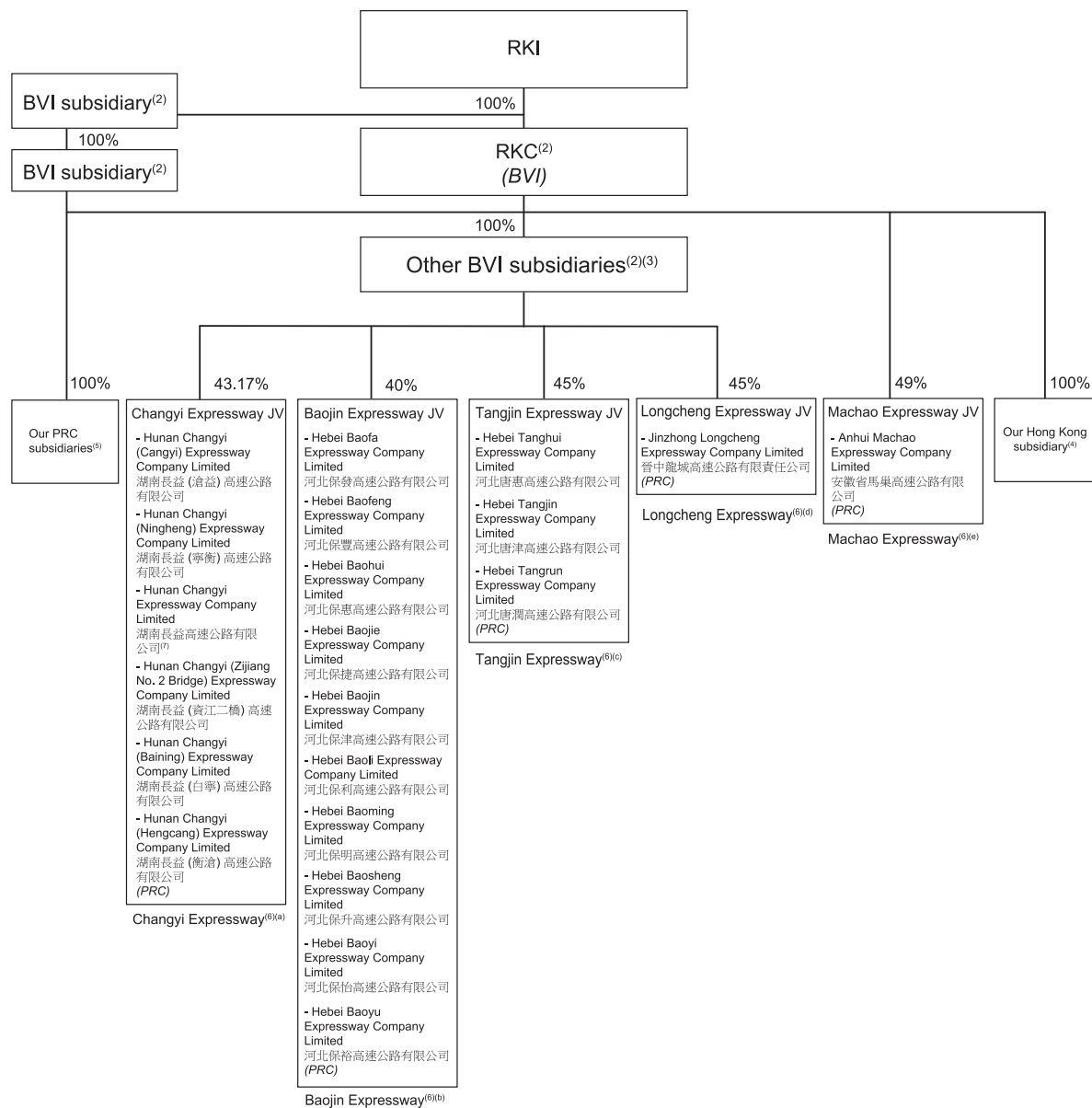
On 28 September 2016, as part of the Reorganisation, RKC (i) transferred its entire holdings in 17 investment holding companies through which it held its interests in highways to a wholly-owned subsidiary of RKI for a total consideration of approximately HK\$182.78 million, determined by reference to the unaudited net asset value of each of those companies as at 31 August 2016; and (ii) acquired the entire issued share capital of an investment holding company of the operating subsidiary of RKI that employs our staff in the PRC at a consideration of approximately HK\$11.85 million, based on the unaudited consolidated net asset value of that company as at 31 August 2016.

Our Company was incorporated on 16 November 2016 in Bermuda under the Bermuda Companies Act as an exempted company with limited liability. On 1 December 2016, one Share was issued and allotted for cash at par to New Select as a result of which our Company became a direct wholly-owned subsidiary of New Select. As part of the Reorganisation, our Company became the holding company of our Group in anticipation of our Listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

SHAREHOLDING STRUCTURE PRIOR TO THE REORGANISATION AND THE GLOBAL OFFERING

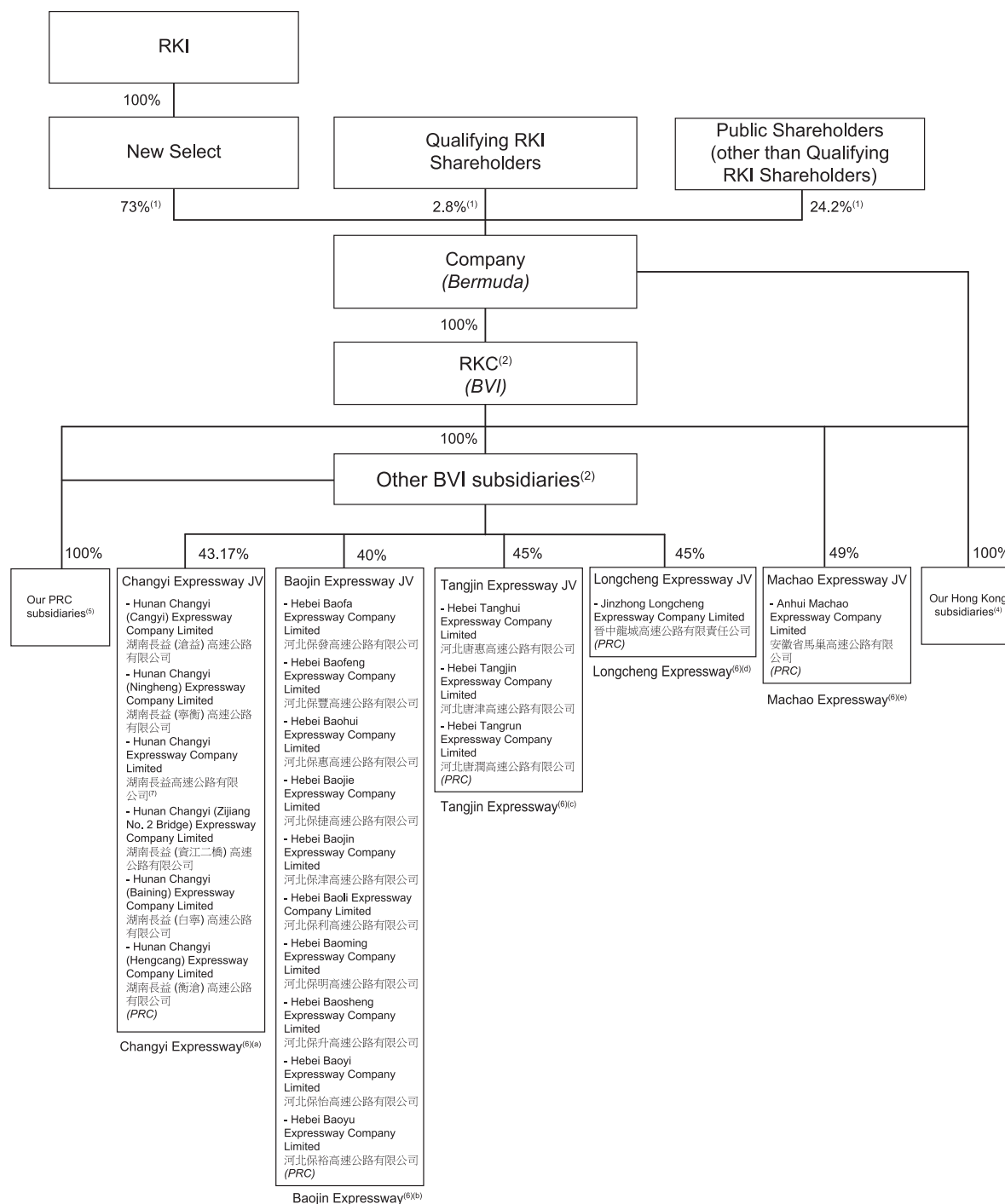
Our Group corporate and shareholding structure prior to the Reorganisation and the Global Offering and brief particulars of each of our subsidiaries are set out below:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE REORGANISATION AND THE GLOBAL OFFERING

Our Group corporate and shareholding structure immediately upon Listing (assuming no exercise of the Over-allotment Option and that the Qualifying RKI Shareholders take up in full their Assured Entitlement under the Preferential Offering) and brief particulars of each of our subsidiaries are set out below:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) The percentage of Shares held by each of New Select, the Qualifying RKI Shareholders and the public Shareholders is based on the assumption that the Over-allotment Option is not exercised and that the Qualifying RKI Shareholders take up in full their Assured Entitlement under the Preferential Offering.
- (2) Brief particulars of our BVI subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operations	Date of incorporation	Issued and fully paid ordinary share capital as at 31 December 2016	Proportion of nominal value of issued ordinary shares capital/ registered capital held by the Company ^(ix)	Principal activities
RKC ^(v)	BVI/Hong Kong	5 October 1994	HK\$2,000,000,000	100%	Investment holding
Intersafe ^(iv)	BVI/Hong Kong	18 January 1996	US\$16,000,000	100%	Investment holding
Ontex ⁽ⁱⁱⁱ⁾	BVI/Hong Kong	18 January 1996	US\$1	100%	Investment holding
Road Famous ⁽ⁱ⁾	BVI/Hong Kong	18 March 1997	US\$1	100%	Investment holding
Road Grand ⁽ⁱ⁾	BVI/Hong Kong	25 March 1997	US\$1	100%	Investment holding
Road Link ⁽ⁱ⁾	BVI/Hong Kong	10 June 1997	US\$1	100%	Investment holding
Road Express ⁽ⁱ⁾	BVI/Hong Kong	10 June 1997	US\$1	100%	Investment holding
Road Crown ⁽ⁱ⁾	BVI/Hong Kong	15 July 1997	US\$1	100%	Investment holding
Road Glorious ⁽ⁱ⁾	BVI/Hong Kong	15 July 1997	US\$1	100%	Investment holding
Road Base ⁽ⁱⁱⁱ⁾	BVI/Hong Kong	10 November 1998	US\$1	100%	Investment holding
Road Bond ⁽ⁱⁱⁱ⁾	BVI/Hong Kong	10 November 1998	US\$1	100%	Investment holding
Road Rise ⁽ⁱⁱ⁾	BVI/Hong Kong	21 September 1999	US\$1	100%	Investment holding
Sincere Mind ^(vi)	BVI	18 October 2005	US\$1	100%	Investment holding
RKE International Holdings Limited (勁投國際控股有限公司)	BVI ^(vii)	21 September 2016	US\$1	100%	Investment holding
RKE Finance 2016 (A) Limited	BVI ^(viii)	6 October 2016	US\$1	100%	Arranging financing for the Group
RKE Finance 2016 (B) Limited	BVI ^(viii)	6 October 2016	US\$1	100%	Arranging financing for the Group

(i) Road Famous, Road Grand, Road Link, Road Express, Road Crown and Road Glorious hold our investment in the Changyi Expressway JV.

(ii) Road Rise holds our investment in the Baojin Expressway JV.

(iii) Ontex, Road Base and Road Bond hold our investment in the Tangjin Expressway JV.

(iv) Intersafe holds our investment in the Longcheng Expressway JV.

(v) RKC directly holds our investment in the Machao Expressway JV.

(vi) Sincere Mind does not have any operations and does not hold any of our investments in the Expressway JVs.

(vii) RKE International Holdings Limited (勁投國際控股有限公司) does not have any operations and does not hold any of our investments in the Expressway JVs.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (viii) RKE Finance 2016 (A) Limited and RKE Finance 2016 (B) Limited are engaged in arranging financing for the Group only. They do not have any operations and do not hold any of our investments in the Expressway JVs.
- (ix) Apart from RKC, which is directly wholly-owned by our Company, all other subsidiaries referred to in this Note (2) above are indirect wholly-owned subsidiaries of our Company through RKC.
- (3) Prior to the Reorganisation, our BVI subsidiaries included those companies sold by RKC as part of the Reorganisation, which held our interests in highway joint ventures. See “Appendix VI—Statutory and General Information—A. Further Information about Our Company and Our Group—5. Corporate reorganisation”.
- (4) Brief particulars of our Hong Kong subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operations	Date of incorporation	Issued and fully paid ordinary share capital as at 31 December 2016 (or, for KJL and KKL, 25 April 2017, on which they became directly held by the Company)	Proportion of nominal value of issued ordinary shares capital/ registered capital held directly or indirectly by the Company	Principal activities
RKE International Limited (勁投國際控股有限公司) (previously known as RKE International Holdings Limited (勁投國際控股有限公司))	Hong Kong	12 October 2016	HK\$1	100%	Investment holding
King Joint Limited (景海有限公司) (“KJL”)	Hong Kong	30 March 2017	HK\$1	100%	Providing administrative services to the Group
Kings Key Limited (盈紀有限公司) (“KKL”)	Hong Kong	30 March 2017	HK\$1	100%	Providing administrative services to the Group

Prior to the Reorganisation, our Hong Kong subsidiary, which was sold by RKC as part of the Reorganisation, held our interests in a highway joint venture. See “Appendix VI—Statutory and General Information—A. Further Information about Our Company and Our Group—5. Corporate reorganisation”.

- (5) Brief particulars of our PRC subsidiaries are as follows:

Name of subsidiary	Place of registration & operations	Date of establishment	Paid registered capital as at 31 December 2016	Proportion of registered capital held indirectly by the Company	Principal activities
Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司)	PRC	17 July 2006	RMB5,600,000	100%	Investment consultancy and management consultancy
Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司)	PRC	23 February 2011	RMB10,000,000	100%	Investment management and consultancy
Shenzhen Luguang Enterprise Management Company Limited (深圳市路廣企業管理有限公司)	PRC	16 July 2015	RMB500,000	100%	Investment consultancy and management consultancy

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Road King Enterprise Management Consultancy (Shenzhen) Company Limited and Shenzhen Lulong Investment Management Company Limited, the two PRC subsidiaries directly or indirectly wholly-owned by Sincere Mind Management Limited, were transferred from the Remaining RKI Group to our Group as part of the Reorganisation. See “Appendix VI—Statutory and General Information—A. Further Information about Our Company and Our Group—5. Corporate reorganisation”.

- (6) Each of the Expressway JVs has obtained all permits and approvals from the government authorities necessary for its businesses, including valid business licence and the right to operate the respective expressway. Brief particulars of the Expressway JVs are as follows:

(a) Changyi Expressway JV

Name of Changyi Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Hunan Changyi (Baining) Expressway Company Limited (湖南長益(白寧)高速公路有限公司)	PRC	PRC	RMB97,011,500	43.17%	Investment in and the development, operation and management of Changyi Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Company Limited (湖南長益(滄益)高速公路有限公司)	PRC	PRC	RMB98,985,400	43.17%	Investment in and the development, operation and management of Changyi Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Company Limited (湖南長益(衡滄)高速公路有限公司)	PRC	PRC	RMB101,695,200	43.17%	Investment in and the development, operation and management of Changyi Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Company Limited (湖南長益(寧衡)高速公路有限公司)	PRC	PRC	RMB98,458,100	43.17%	Investment in and the development, operation and management of Changyi Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Company Limited (湖南長益(資江二橋)高速公路有限公司)	PRC	PRC	RMB78,328,300	43.17%	Investment in and the development, operation and management of Changyi Expressway (Zijiang No. 2 Bridge Section) in Hunan, PRC
Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司)	PRC	PRC	RMB98,553,500	43.17%	Investment in and the development, operation and management of Changyi Expressway (Changbai Section) in Hunan, PRC

(b) Baojin Expressway JV

Name of Baojin Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Hebei Baofa Expressway Company Limited (河北保發高速公路有限公司)	PRC	PRC	RMB96,287,600	40%	Investment in and the operation and management of Baojin Expressway (Bazhou Dong Section) in Hebei, PRC

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Baojin Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Hebei Baofeng Expressway Company Limited (河北保豐高速公路有限公司)	PRC	PRC	RMB95,700,000	40%	Investment in and the operation and management of Baojin Expressway (Rongcheng—Xiongxian West Section) in Hebei, PRC
Hebei Baohui Expressway Company Limited (河北保惠高速公路有限公司)	PRC	PRC	RMB96,007,600	40%	Investment in and the operation and management of Baojin Expressway (Bazhou Zhong Section) in Hebei, PRC
Hebei Baojie Expressway Company Limited (河北保捷高速公路有限公司)	PRC	PRC	RMB97,262,000	40%	Investment in and the operation and management of Baojin Expressway (Xiongxian—Bazhou Section) in Hebei, PRC
Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司)	PRC	PRC	RMB96,843,600	40%	Investment in and the operation and management of Baojin Expressway (Xushui—Rongcheng Section) in Hebei, PRC
Hebei Baoli Expressway Company Limited (河北保利高速公路有限公司)	PRC	PRC	RMB97,359,600	40%	Investment in and the operation and management of Baojin Expressway (Xiongxian East Section) in Hebei, PRC
Hebei Baoming Expressway Company Limited (河北保明高速公路有限公司)	PRC	PRC	RMB90,030,400	40%	Investment in and the operation and management of Baojin Expressway (Bazhou—Tianjinjie Section) in Hebei, PRC
Hebei Baosheng Expressway Company Limited (河北保昇高速公路有限公司)	PRC	PRC	RMB96,507,600	40%	Investment in and the operation and management of Baojin Expressway (Xiongxian Section) in Hebei, PRC
Hebei Baoyi Expressway Company Limited (河北保怡高速公路有限公司)	PRC	PRC	RMB96,575,200	40%	Investment in and the operation and management of Baojin Expressway (Rongcheng Section) in Hebei, PRC
Hebei Baoyu Expressway Company Limited (河北保裕高速公路有限公司)	PRC	PRC	RMB97,426,400	40%	Investment in and the operation and management of Baojin Expressway (Bazhou West Section) in Hebei, PRC

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(c) Tangjin Expressway JV

Name of Tangjin Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Hebei Tanghui Expressway Company Limited (河北唐惠高速公路有限公司)	PRC	PRC	RMB287,324,000	45%	Investment in and the operation and management of Tangjin Expressway (Chenzhuang—Fengnan Section) in Hebei, PRC
Hebei Tangjin Expressway Company Limited (河北唐津高速公路有限公司)	PRC	PRC	RMB250,300,000	45%	Investment in and the operation and management of Tangjin Expressway (Fengnan—Jijinjie Section) in Hebei, PRC
Hebei Tangrun Expressway Company Limited (河北唐潤高速公路有限公司)	PRC	PRC	RMB172,524,000	45%	Investment in and the operation and management of Tangjin Expressway (Shuangmiao—Chenzhuang Section) in Hebei, PRC

(d) Longcheng Expressway JV

Name of Longcheng Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Jinzhong Longcheng Expressway Company Limited (晉中龍城高速公路有限責任公司)	PRC	PRC	RMB1,467,000,000	45%	Investment in and the development, operation and management of Longcheng Expressway in Shanxi, PRC

(e) Machao Expressway JV

Name of Machao Expressway JV	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by us	Principal activities
Anhui Machao Expressway Company Limited (安徽省馬巢高速公路有限公司)	PRC	PRC	RMB575,000,000	49%	Investment in and the development, operation and management of Machao Expressway in Anhui, PRC

(7) Brief particulars of the subsidiary of Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司) are as follows:

Name of subsidiary	Place of registration	Place of operations	Paid registered capital as at 31 December 2016	Proportion of registered capital held by Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司)	Principal activities
Hunan Xiangyi Investment Property Company Limited (湖南省湘益投資置業有限公司)	PRC	PRC	RMB20,000,000	100%	Design, production and distribution of domestic advertisements in the PRC

For more details regarding our subsidiaries and the Expressway JVs, see “Appendix VI—Statutory and General Information—A. Further Information about Our Company and Our Group”.

Reasons for the Listing

The Listing will allow the Remaining RKL Group to focus on investment in, and the development, operation and management of, property development in the PRC, Hong Kong

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

and elsewhere and to continue to manage the Excluded Highway until the expiry of the operating rights of that toll road or earlier termination. Our Company will focus on investment in, and the development, operation and management of, expressway projects. This will enable the two separate management teams to adopt different business strategies in order to better suit their businesses and, with clearer segregation of roles, enhance their ability to focus on opportunities specific to the business for each of the Remaining RKI Group and the Group respectively.

In terms of profile, the Listing will enable each of the Company and RKI to establish its own profile thereby attracting different investors—the Remaining RKI Group being a property developer and the Group being an investor in expressway operations. In addition, the issue of the New Shares contemplated under the Listing will also allow the Company to raise proceeds for the purposes set out in “*Future Plans and Use of Proceeds—Use of Proceeds*”.

INDUSTRY OVERVIEW

This section and elsewhere in this Prospectus contains statistics, industry data or other information relating to the industry that were prepared from independent industry reports published by WB Group, as well as various government or official sources that are publicly available. We believe that the source of such information is an appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors, officers, affiliates, advisers or representatives, and any other party involved in the Global Offering and no representation is given as to its accuracy. Therefore, you should not place undue reliance on the industry reports prepared by WB Group. Our Directors further confirm that, after taking reasonable care, there is no material adverse change in the market information since the date of the reports, which may qualify, contradict or have an impact on the information as disclosed in this section.

In this section, the term highway comprises the five categories of highways, including expressways, under the “Technical Standard of Highway Engineering”.

SOURCE OF INFORMATION

We commissioned WB Group Consulting (Shenzhen) Limited (“WB Group”), an independent traffic consultant, to conduct analysis of the expressway industry in China and traffic and revenue forecasts of the five expressway projects.

WB Group, established in 2003, is an independent consulting firm specialised in traffic planning, construction and operations of toll roads. With over 10 years of experience in the toll road industry of China, the firm has provided research services for more than 100 expressway projects located in various provinces of China.

WB Group has prepared five individual reports (“WBG Reports”) titled:

- Baojin Expressway in Hebei Province Traffic and Revenue Forecasting Study–Executive Summary
- Tangjin Expressway in Hebei Province Traffic and Revenue Forecasting Study–Executive Summary
- Changyi Expressway in Hunan Province Traffic and Revenue Forecasting Study–Executive Summary
- Longcheng Expressway in Shanxi Province Traffic and Revenue Forecasting Study–Executive Summary
- Machao Expressway in Anhui Province Traffic and Revenue Forecasting Study–Executive Summary

The information included in the WBG Reports has been obtained through primary research (i.e. traffic-related surveys at the toll stations) as well as secondary research (i.e. information obtained from the project companies and third parties such as government or official sources).

Assumptions in the socio-economic model and traffic forecasting model take into account historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in the WBG Reports are based on generally accepted procedures and practices in the industry. WB Group confirmed that all reasonable and professional skill, judgement, care and due diligence was exercised in preparing the WBG Reports.

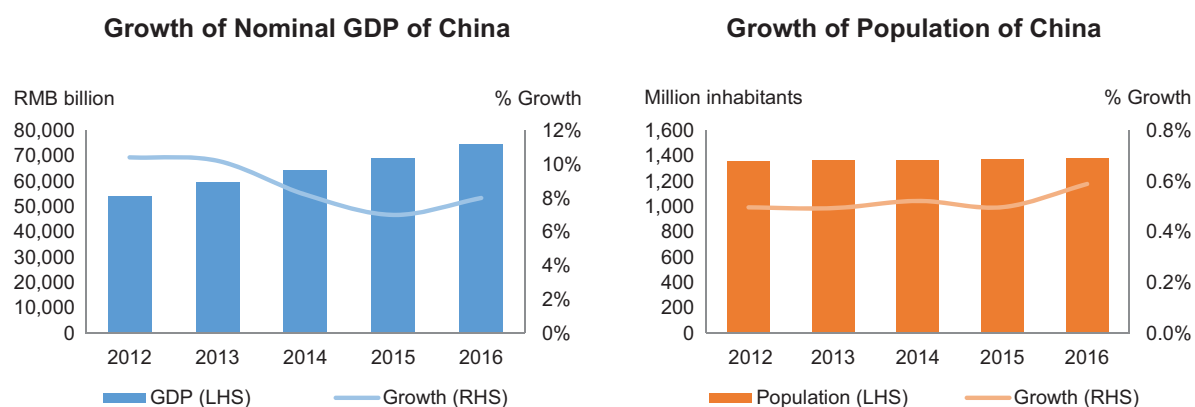
INDUSTRY OVERVIEW

Certain information from the WBG Reports, as well as various government or official sources that are publicly available, has been used in this section for the purpose of providing prospective investors with the information on the classification of highways and expressways, socio-economic development in the provinces where the five expressway projects operated by the expressway joint ventures are located, as well as government policies in China and the relevant provinces in relation to the highway or expressway industry. WB Group charged a fee of approximately RMB1,500,000 for the preparation of the WBG Reports.

THE ECONOMY OF CHINA AND HEBEI, HUNAN, SHANXI AND ANHUI PROVINCE

Traffic flows on the expressways in which the Company has interests will be heavily influenced by socio-economic factors in the regions where the expressways are located.

With a population of over 1.4 billion, China is the world's most populous country. China overtook Japan as the second largest economy in the world with a gross domestic product ("GDP") reaching RMB74.4 trillion (US\$11.1 trillion), and per capita GDP reaching RMB53,816.5 (US\$8,018.0), in 2016. Since the commencement of its market reform in 1978, the economy of China has been transitioning from a planned economy to a more market-oriented economy. China's nominal GDP growth has averaged 8.8% per year over the past 5 years, although growth rates have generally been slowing down in recent years.



Source: National Bureau of Statistics of China

In its Twelfth Five-Year Plan (2011-2015) and the latest Thirteenth Five-Year Plan (2016-2020), China outlines its goal of becoming “a moderately prosperous society in all aspects”, reflecting a move towards domestic consumption, innovation and entrepreneurship, to achieve a more balanced and sustainable economic and social development. In its latest Five-Year Plan, China has set a target to grow GDP by 6.5% annually, aiming to double its 2010 GDP and per capita income by 2020.

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China Population Density Map



Source: National Bureau of Statistics of China, 6th National Population Census

GDP per capita Density Map



Source: National Bureau of Statistics of China

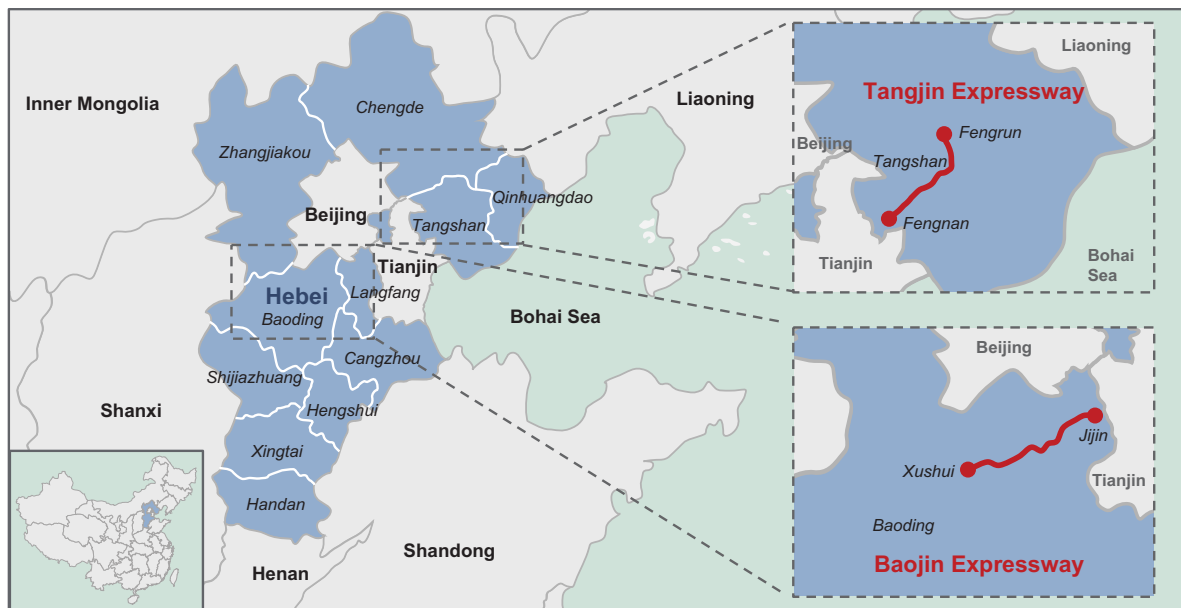
The Thirteenth Five-Year Plan promotes coordinated development between cities and provinces facilitated by regional policy alignment and transportation infrastructure connection in order for China to achieve the stated goal of becoming a “moderately prosperous society”. China’s Three Initiatives, namely the strategies of “One Belt, One Road” or “Belt and Road Initiative” (一帶一路), “Coordinated Development of Beijing, Tianjin and Hebei” (京津冀協同發展) or “Jing-Jin-Ji Integration” (京津冀一體化), and “Yangtze River Economic Belt Development” (長江經濟帶發展), echo the goal of enhancing transportation connectivity and economic collaboration within and beyond China. The Belt and Road Initiative, a strategy which aims to connect China with the world and promotes trade relationships with neighbouring Asian and

INDUSTRY OVERVIEW

European countries by jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (絲綢之路經濟帶和21世紀海上絲綢之路) or the “Belt and Road”, also focuses on trade and infrastructure development. China has over fifty overseas economic and trade cooperation zones and has expanded its free trade zones to eleven areas, namely the municipalities of Shanghai, Tianjin and Chongqing, as well as the provinces of Fujian, Guangdong, Liaoning, Zhejiang, Henan, Hubei, Sichuan, Shaanxi. Infrastructure investment along the Belt and Road countries is also expected to promote regional transportation connectivity.

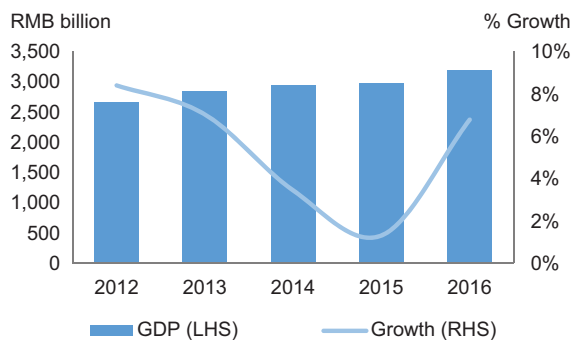
HEBEI PROVINCE

Hebei Province is located in the north of China and surrounds Beijing and Tianjin municipalities. Its major industries are heavy manufacturing, iron and steel fabrication, engineering and the production of chemical, petroleum, ceramics and cement.

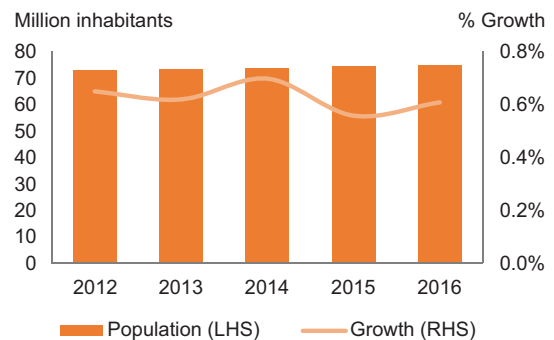


By the end of 2016, Hebei Province had a population of 74.7 million permanent residents. The GDP of Hebei Province was RMB3,182.8 billion in 2016, 6.8% higher than the preceding year. The average disposal income per capita for urban residents increased from RMB20,543.4 in 2012 to RMB28,249.0 in 2016, representing a CAGR of 8.3% over the period.

Growth of Nominal GDP of Hebei Province



Growth of Population of Hebei Province



Source: National Bureau of Statistics of China

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According to the “Coordinated Development of Beijing, Tianjin and Hebei” or the “Jing-Jin-Ji Integration” policy announced in 2015, China has set goals for a coordinated regional development in the next 15 years by connecting the capital city Beijing with neighbouring Tianjin Municipality and Hebei Province. The three northern areas, or Jing-Jin-Ji in their abbreviations, will be united into one economic sphere along the coast of the Bohai Sea, connecting 130 million people across Beijing, Tianjin and Hebei. The strategy will see the relocation of non-essential functions from Beijing to Tianjin and Hebei, which is expected to boost economic development within the region while addressing problems such as traffic congestion, overpopulation, pollution and resources scarcity within the capital city Beijing. Social development gaps between the “Jing-Jin-Ji” regions will also be narrowed, according to the programme.

Under the plan, Hebei Province is envisioned to become an important national base for trade and logistics, a pilot site for industrial transformation and upgrading, a demonstration area of urbanisation and urban-rural development, and an ecological support for the region. Part of the “Jing-Jin-Ji Integration” policy includes the construction of the Beijing Daxing International Airport which is adjacent to Daxing district in Beijing and Langfang city in Hebei Province. With the new airport expected to become operational in 2019, a comprehensive airport cluster will emerge in the region, comprising of the new Beijing Daxing International Airport, the existing Beijing Capital International Airport, Tianjin Binhai International Airport and Shijiazhuang Zhengding International Airport, further facilitating the diversion of traffic, population and industries from the capital city towards the south.

A circular issued by the Central Committee of the Communist Party of China and the State Council in April 2017 (《中共中央、國務院關於設立河北雄安新區的通知》) announced that the Xiongan New Area (雄安新區) will be established in Hebei Province to advance the “Coordinated Development of Beijing, Tianjin and Hebei” policy. According to the circular, the new area will be of national significance following the Shenzhen Special Economic Zone and the Pudong New Area in Shanghai. The establishment of the new area is also described as “a crucial strategy for the coming millennium”, spanning the counties of Xiongxian, Rongcheng and Anxin. According to the circular, the Xiongan New Area will benefit from its strategic geographical location, convenient transportation system and abundance of natural resources. Non-government facilities including markets, schools, research institutions and hospitals are expected to be relocated from Beijing to the Xiongan New Area.

Located at the east end of the “Belt and Road” and as part of the Bohai Economic Rim, Hebei Province is also envisioned to become a key passage for trade supporting China’s strategy of building the 21st Century Maritime Silk Road.

INDUSTRY OVERVIEW

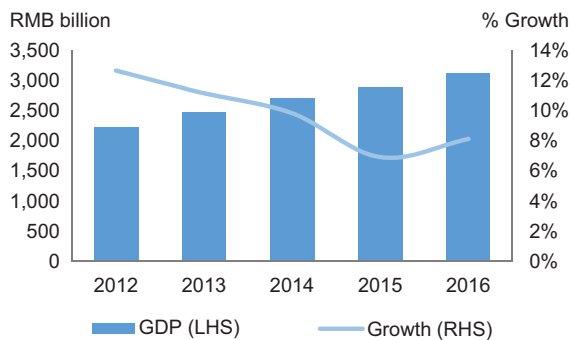
HUNAN PROVINCE

Hunan Province is situated at the midstream of the Yangtze River, the longest river in Asia and the third longest in the world. Hunan is traditionally a rice and tea grower, but its major industries also include tobacco, non-ferrous metal and steel production, machinery and electronics.

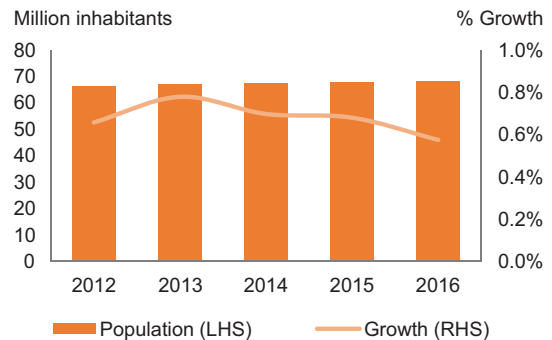


By the end of 2016, Hunan Province had a population of 68.2 million permanent residents. The GDP of Hunan Province was RMB 3,124.5 billion in 2016, 8.1% higher than the preceding year. The average disposal income per capita for urban residents increased from RMB 21,318.8 in 2012 to RMB 31,284.0 in 2016, representing a CAGR of 10.1% over the period.

Growth of Nominal GDP of Hunan Province



Growth of Population of Hunan Province



Source: National Bureau of Statistics of China

Located at the midstream of the Yangtze River, Hunan is one of the provinces along the Yangtze River Economic Belt which encompasses the eleven provinces and municipalities of Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Sichuan, Chongqing, Yunnan and Guizhou and stretches across the eastern, middle and western parts of China. The belt encompasses more than 40% of China's economy and a population of over 600 million people. It is a significant economic axis and forms the so called "golden waterway". Under the "Yangtze River Economic Belt Development" initiative, regions along

INDUSTRY OVERVIEW

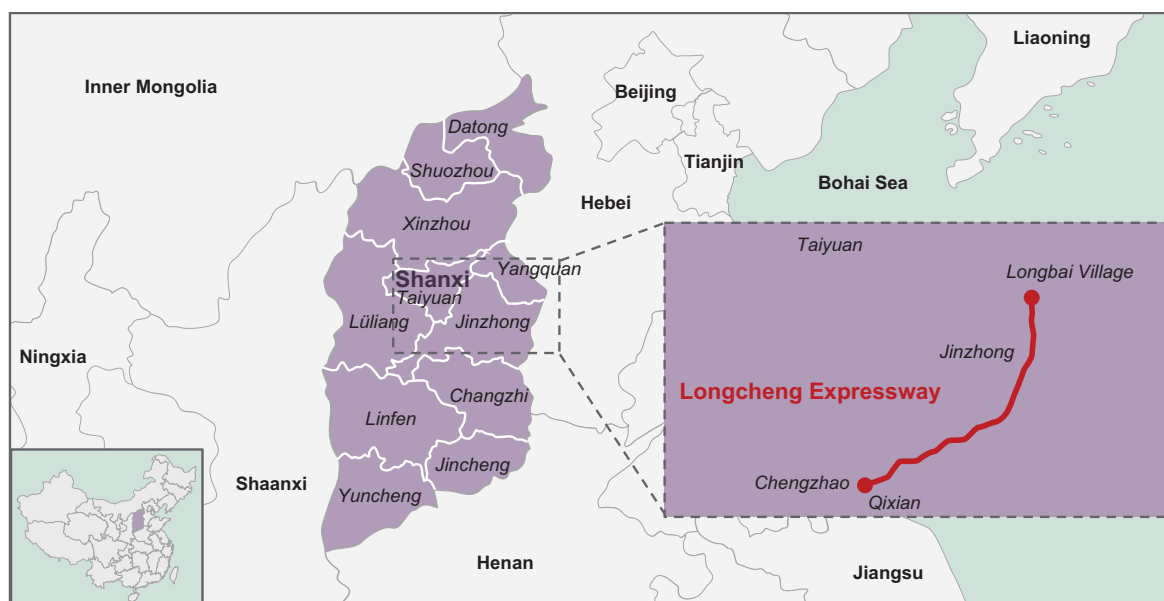
the River are expected to accommodate industries migrated from the coastal areas, thereby promoting integrated economic development along the River. Hunan Province has now more than ten state-level development zones, including the Changsha National High-Tech Industrial Development Zone, Ningxiang National Economic and Technical Development Zone and Yiyang National Hi-tech Industrial Development Zone. These state-level development zones are expected to boost regional economic and social development, making Hunan a base of manufacturing, research and development, and innovative industries along the Yangtze River.

According to the “Opinions of the People’s Government of Hunan Province on Promoting Yangtze River Economic Belt Development Depending on the Golden Waterway” (《湖南省人民政府關於依托黃金水道推動長江經濟帶發展的實施意見》) in 2015, Hunan has mapped out 96 key projects with a total investment of RMB673.1 billion to develop its transportation system, laying a foundation for its role as part of the national and regional transportation junction. Under the framework, Hunan will develop into a comprehensive transportation hub and a national advanced manufacturing centre, propelling advancement of the Yangtze River Economic Belt.

The Thirteenth Five-Year Plan for National Economic and Social Development Plan of Hunan Province (《湖南省國民經濟和社會發展第十三個五年規劃綱要》) also highlights measures on promoting transportation network development, economic growth, industrial advancement and environmental protection. Under its “Strategic Work Plan for the Implementation of the One Belt, One Road Initiative within the Hunan Province” (《湖南對接國家「一帶一路」戰略工作方案》), Hunan aims to become a model in the opening-up of inland regions, technological innovation and upgrading, urban-rural development and ecological protection.

SHANXI PROVINCE

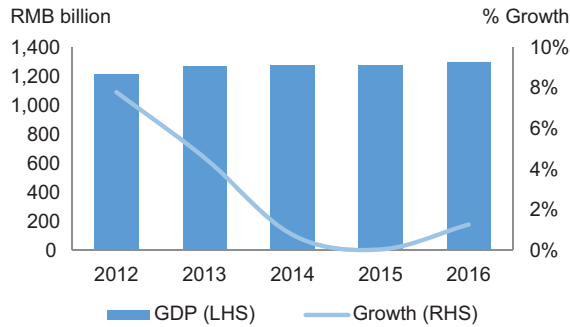
Shanxi Province is located in the north of China. Its major industries are coal and mineral mining, power generation, chemical production, metal refining, textile manufacturing and automobile production.



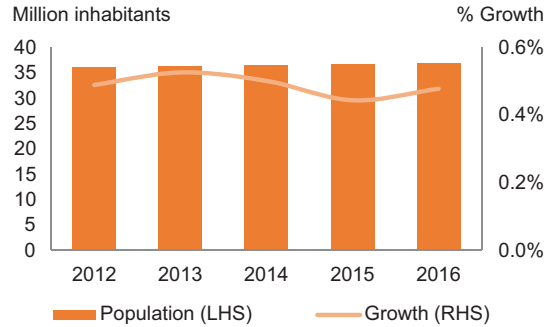
By the end of 2016, Shanxi Province had a population of 36.8 million permanent residents. The GDP of Shanxi Province was RMB1,292.8 billion in 2016, 1.3% higher than the preceding year. The average disposal income per capita for urban residents increased from RMB20,411.7 in 2012 to RMB27,352.0 in 2016, representing a CAGR 7.6% over the period.

INDUSTRY OVERVIEW

Growth of Nominal GDP of Shanxi Province



Growth of Population of Shanxi Province

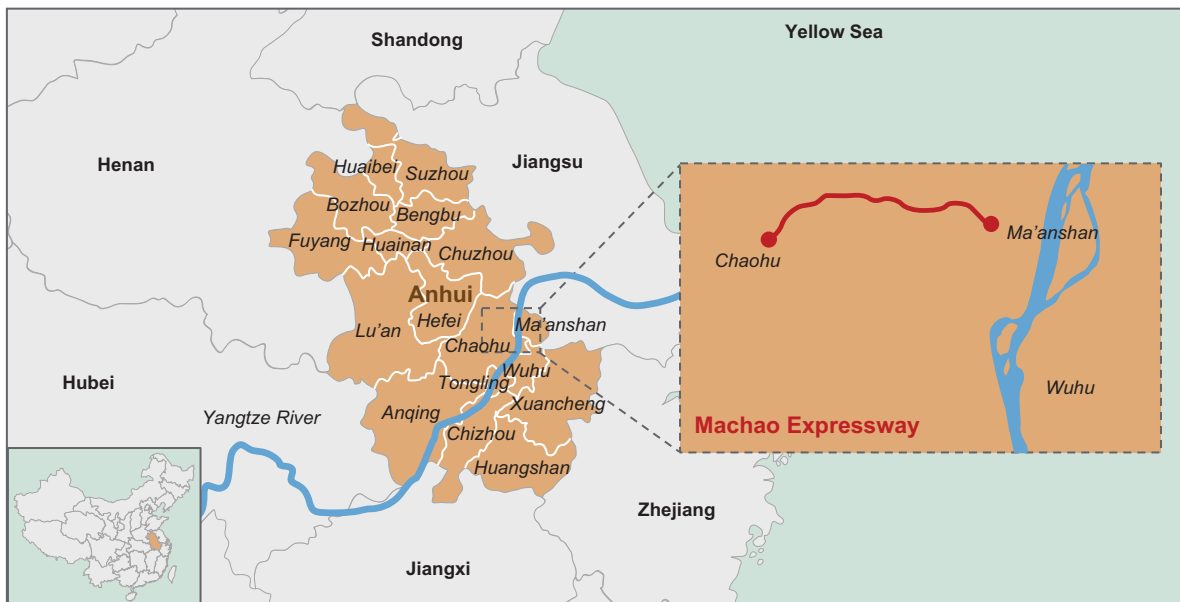


Source: National Bureau of Statistics of China

In 2015, the People’s Government of Shanxi Province approved the plan on Shanxi’s participation in building The Silk Road Economic Belt and the 21st Century Maritime Silk Road (《山西省參與建設絲綢之路經濟帶和21世紀海上絲綢之路實施方案》). In the framework of its Thirteenth Five-Year Plan, Shanxi targets to promote its strength in coal and mineral mining, and other industries such as textile manufacturing and automobile production to boost exports to neighbouring countries and the rest of Eurasia in line with the “One Belt, One Road” initiative.

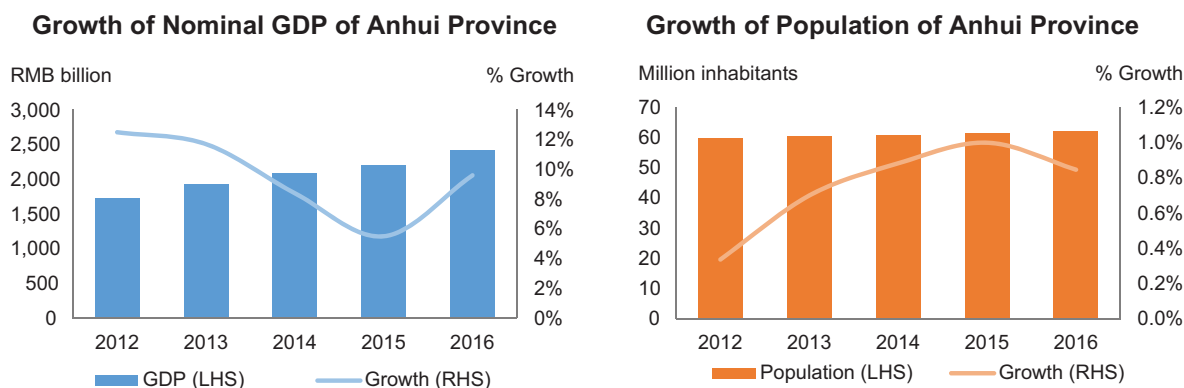
ANHUI PROVINCE

Anhui Province is situated in the southeast of China and at the downstream end of the Yangtze River. Its major industries are coal, iron and copper mining, household appliances and modern equipment manufacturing, automobiles production, petrochemicals, steel production, agricultural machinery and food processing.



By the end of 2016, Anhui Province had a population of 62.0 million permanent residents. The GDP of Anhui Province was RMB2,411.8 billion in 2016, 9.6% higher than the preceding year. The average disposal income per capita for urban residents increased from RMB21,024.2 in 2012 to RMB29,156.0 in 2016, representing a CAGR of 8.5% over the period.

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Source: National Bureau of Statistics of China

Under the framework of China's Thirteenth Five-Year Plan, city clusters are expected to be the main drivers of new urbanisation. As one of the downstream provinces along the Yangtze River Economic Belt, Anhui is part of the Yangtze River Delta Urban Cluster (長江三角洲城市群) made up of Shanghai, Jiangsu, Zhejiang and Anhui. The Yangtze River Delta Urban Cluster is the largest urban agglomeration in China, covering an area of 211,700 square km and with a combined population of 150 million people.

In December 2016, the People's Government of Anhui Province issued a plan on Anhui's participation in building the Yangtze River Delta Urban Cluster (《長江三角洲城市群發展規劃安徽實施方案》). According to the plan, eight major cities in Anhui, including the provincial capital Hefei, will see a boost in sci-tech, tourism, culture, transport, environmental protection, public services and foreign trade. Moreover, the region will seek to host international events while raising the profile of existing ones such as the Anhui Investment and Trade Expo. A modern infrastructure network connecting with those in Shanghai, Jiangsu and Zhejiang is also part of the development plan.

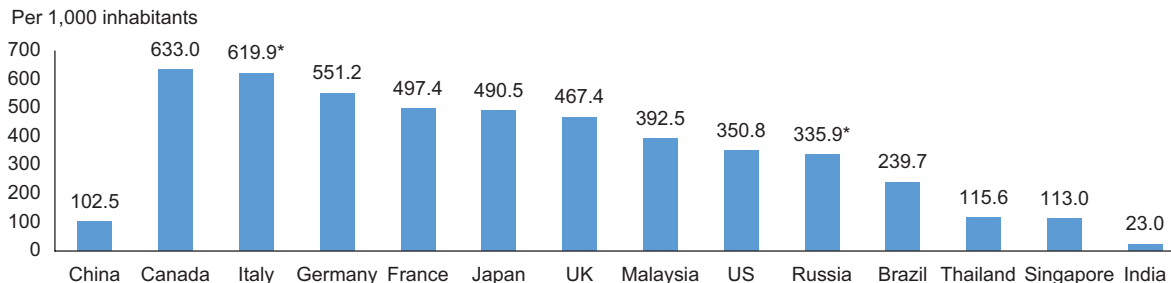
Anhui is also one of the provinces along the Yangtze River Economic Belt under the "Yangtze River Economic Belt Development" initiative. According to the "Opinions of the People's Government of Anhui Province on Promoting Yangtze River Economic Belt Development Depending on the Golden Waterway" (《安徽省人民政府關於貫徹國家依託黃金水道推動長江經濟帶發展戰略的實施意見》) in 2015, Anhui will become the new growth pole of the Yangtze River Delta Urban Cluster, a national demonstration area of innovation, an advanced manufacturing centre, a model in the opening-up of inland regions and a pioneering ecological zone along the Yangtze River. In its Thirteenth Five-Year Foreign Capital Utilization and Overseas Investment Plan (《安徽省「十三五」利用外資和境外投資規劃》), Hefei and other major cities are envisioned to become transportation hubs connecting Anhui Province with the world through international freight trains, in line with the vision of connectivity driving the "One Belt, One Road" initiative.

VEHICLE OWNERSHIP, PRODUCTION AND SALES IN CHINA

China is a major player in the global vehicle market both in terms of production and sales volumes. Yet, vehicle ownership in China shows relatively low penetration. When compared to developed countries, passenger cars ownership per 1,000 inhabitants in China in 2015 was only 102.5 units, lower than 633.0 in Canada, 619.9 in Italy, 551.2 in Germany, 497.4 in France, 490.5 in Japan. When compared with ASEAN countries, passenger cars ownership in China was also lower than countries such as Malaysia, Thailand and Singapore.

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Passenger Cars Ownership per 1,000 Inhabitants Comparison in 2015



Source: China Statistical Yearbook, Canadian Socio-Economic Information Management System and BMI Research.

*Represents BMI Research's estimates in 2015 as the number of passenger cars in Italy and Russia are only available up to and including 2014 and 2013 respectively

Note: BMI Research is an independent research firm which provides macroeconomic, industry and financial market analysis across 22 industries and 200 global markets with more than 30 years of experience. The information contained in the BMI Research report is derived by means of data and intelligence gathering methodology which includes various government or official sources that are publicly available and other industry data and reports. Intelligence gathered is analysed, assessed and validated using BMI Research's in-house analysis models and techniques. Forecasts are based on BMI Research's proprietary model.

Vehicle production and sales in China have experienced rapid growth over the past years. According to BMI Research, in 2008, 9.4 million new vehicles were sold in China, ranking China second in the world behind the United States. Since 2009, China surpassed the United States and has become the largest vehicle market. Most of the vehicles manufactured in China are sold domestically. From 2008 to 2016, automobiles produced domestically increased from 9.3 million units to 28.1 million units per annum, representing a CAGR of 14.8% over the period. During the same period, the volume of new vehicle sales increased from 9.4 million units to 28.0 million units per annum, representing a CAGR of 14.7% over the period.

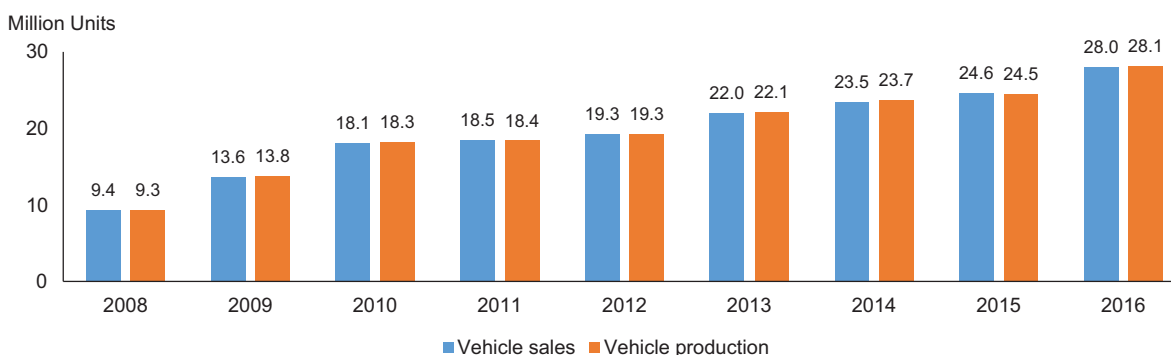
Rank	Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR (08-16)
Number of vehicles sold/registered (million)											
1	China	9.4	13.6	18.1	18.5	19.3	22.0	23.5	24.6	28.0	14.7%
2	United States	13.3	10.5	11.7	13.0	14.7	16.0	16.9	17.9	18.0*	3.8%
3	Japan	5.1	4.6	5.0	4.2	5.4	5.4	5.6	5.1	5.0	-0.3%
4	Germany	3.4	4.1	3.2	3.5	3.4	3.3	3.4	3.5	3.7	1.0%
5	India	1.9	2.5	3.2	3.4	3.5	3.1	3.2	3.5	3.7	8.3%
6	United Kingdom	2.5	2.2	2.3	2.3	2.3	2.6	2.8	3.1	3.1	3.0%
7	France	2.6	2.7	2.7	2.7	2.3	2.2	2.2	2.4	2.5	-0.6%
8	Brazil	2.8	3.1	3.5	3.6	3.8	3.8	3.5	2.6	2.1	-3.9%
9	Italy	2.4	2.4	2.2	1.9	1.5	1.4	1.5	1.7	2.1	-2.1%
10	Canada	1.7	1.5	1.6	1.6	1.7	1.8	1.9	1.9	2.0	2.1%

Source: BMI Research

* Represents BMI Research's estimates in 2016 as the number of vehicles sold/registered in the United States is only available up to and including 2015

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Vehicle Sales and Production in China



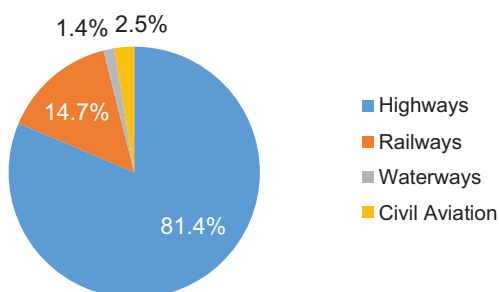
Source: China Association of Automobile Manufacturers

PASSENGER AND FREIGHT TRAFFIC MIX IN CHINA

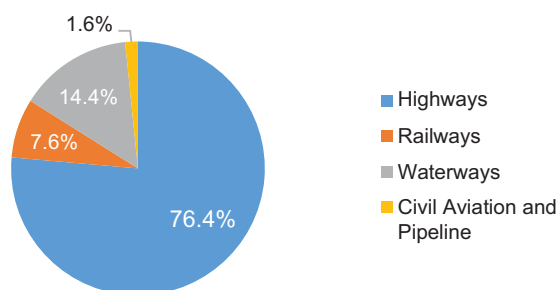
In 2016, China's passenger transport volume was 19.2 billion persons, and passenger turnover was 3.13 trillion passenger-km. Freight transport volume was 43.3 billion tonnes, and freight turnover was 18.1 trillion ton-km.

Most of the passenger and freight traffic flows in China are handled by highways. Highway passenger and freight transport volume and turnover in China ranked first in the world. In 2016, there were 15.6 million highway passengers and 33.6 billion tonnes of freight traffic, representing 81.4% and 77.6% of total passenger and freight traffic (excluding pipeline) in China respectively.

China Passenger Traffic Mix 2016



China Freight Traffic Mix 2016



Source: Ministry of Transport. Civil aviation includes passenger or freight trips made on domestic routes and international routes

Passenger and Freight Traffic Mix in Hebei, Hunan, Shanxi, and Anhui Province in 2015

Province	Total Highway Passenger Traffic (million passengers)	Percentage of total Passenger Traffic handled by Highways in Each Province	Total Highway Freight Traffic (billion tonnes)	Percentage of total Freight Traffic handled by Highways in Each Province
Hebei	435.6	81.8%	1756.4	88.7%
Hunan	1,192.7	90.8%	1722.5	86.3%
Shanxi	220.9	74.6%	912.4	56.4%
Anhui	780.7	89.9%	2306.5	66.7%

Source: Ministry of Transport. Data available up to and including 2015

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HIGHWAY TRANSPORTATION IN CHINA

Classification of Highways in China

Highways in China are classified into national highways, provincial highways, county highways and township highways according to their significance in the national highway network according to the Highway Law of the People's Republic of China (《中華人民共和國公路法》, the "Highway Law"). Highways are also classified into five categories by technical standards.

According to the "Technical Standard of Highway Engineering" (《公路工程技術標準》) (JTG B01-2014) issued by the MOT, highways are categorised into the following five categories based on their functions and accommodated transport volumes:

1. Expressway: a bi-directional, divided multi-lane road with full access control for vehicles with a transport volume of more than 15,000 cars per day on average throughout the year.
2. Class I: a bi-directional, divided multi-lane road with access control depending on the needs for vehicles with a transport volume of more than 15,000 cars per day on average throughout the year.
3. Class II: a two-lane road for vehicles. A two-lane class II road should accommodate a transport volume of between 5,000 to 15,000 cars per day on average throughout the year.
4. Class III: a two-lane road mainly for vehicles and non-car transportation. A two-lane class III road should accommodate a transport volume of between 2,000 to 6,000 cars per day on average throughout the year.
5. Class IV: a two-lane or single-lane road mainly for vehicles and non-car transportation. A class IV road should accommodate a transport volume of not more than 2,000 cars per day with respect to two-lane road and not more than 400 cars per day with respect to single-lane road per day on average throughout the year.

A brief summary of major technical criteria by highway class and design speed is shown in the two tables below.

Class	Annual Average Daily Traffic	Design Speed (km per hour)					Number of Traffic Lanes
Expressway	>15,000	120-80					≥4
I	>15,000	100-60					≥4
II	5,000-15,000	80-60					2
III	2,000-6,000	40-30					2
IV	<2,000	30-20					1-2
Design Speed (km per hour)	120	100	80	60	40	30	20
Width of road lane (m)	3.75	3.75	3.75	3.50	3.50	3.25	3.00

Source: Technical Standard of Highway Engineering (JTG B01-2014) issued by the Ministry of Transport, effective as of 1 January 2016

According to the National Highway Network Plan (2013-2030) (《國家公路網規劃(2013-2030年)》) announced by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "NDRC") and the MOT in 2013, trunk roads that have national or regional significance, politically or economically, are designated by the Highway Law as national highways, which can be further categorised into ordinary national highways (普通國道) which are generally accessible highways, and the National Trunk Highway System (國家高速公路網) which includes toll-charging expressways.

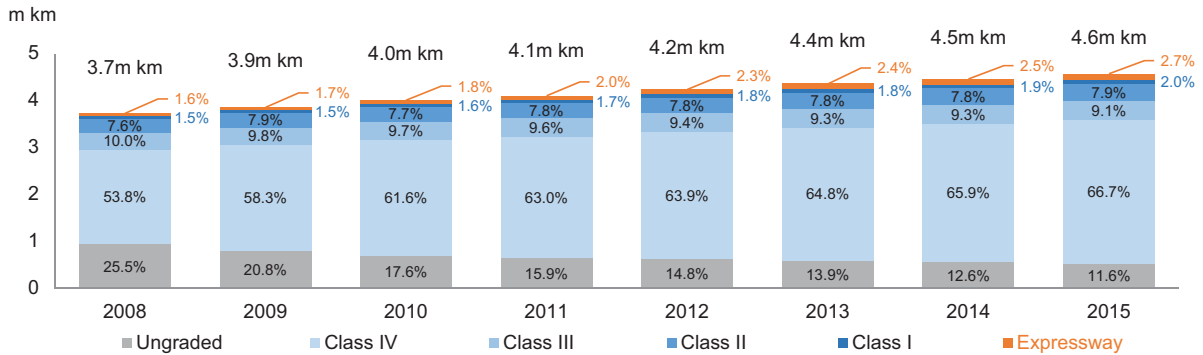
The National Trunk Highway System comprises seven radial expressways emanating from Beijing (首都放射線), eleven North-to-South vertical expressways (北南縱線), eighteen

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East-to-West horizontal expressways (東西橫線), as well as six regional ring lines (地區性環線), and a number of parallel lines and connecting lines.

By the end of 2015, the total length of highways in China had reached 4.6 million km and within that the total length of expressways had reached 123,500 km, making China's highway network first in the world by length. Total rural highway length was 4.0 million km, connecting 99.9% of towns and townships and 99.8% of administrative villages. The technological structure of the highway network has progressively been improved, with total graded highways accounting for 88.4% of total highway length by the end of 2015. As compared to other classes of highways, expressways achieved the fastest growth in China over the recent years, representing a CAGR of 10.8% from 2008 to 2015. However, by the end of 2015, expressways made up a mere 2.7% of the overall highway network in China.

Mix of Technical Standards of Highways in China



Source: Ministry of Transport. Data available up to and including 2015

Map of the National Trunk Highway System in China



Source: National Development and Reform Commission

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GOVERNMENT POLICY AND EXPRESSWAY PLANNING

Toll Road Policies

The MOT is responsible for expressway planning. Unlike the road networks in most countries, funding for road construction and maintenance in China is derived from a combination of local government and private sector involvement, while the budgetary funding from the central government constitutes a relatively small share. According to the National Highway Toll Statistics Bulletin in 2015 (《2015年全國收費公路統計公報》), the length of toll-charging expressways in China was 117,700 km, which represented 71.2% of the toll-charging roads in China.

Policy changes such as the adoption of the “Green Passage Toll Free Policy” and “Holiday Toll Free Policy” since 2010 and 2012 respectively generated some negative impact on revenues of toll road companies in China. See “*Regulatory Overview—Regulations on Toll Collection*” for more information on the policy changes.

According to the National Highway Toll Statistics Bulletin in 2015, toll revenues totalled RMB409.8 billion in 2015, a net increase of RMB18.2 billion or 4.6% compared with 2014. However, the increase was dwarfed by expenditure, which stood at RMB728.5 billion, in contrast to RMB548.7 billion in 2014. Overall, toll roads in China reported losses of RMB318.7 billion in 2015, more than double the loss made in 2014. Such loss creates pressure from the toll road industry for more governmental incentive measures, such as toll increases and extension of concession periods, in order to achieve collaboratively the national target of building an efficient, high-quality and integrated highway transportation system.

Under current regulations, the concession period for a For-profit Toll Road shall be determined in accordance with the principle of redemption of investment with reasonable returns, with a maximum concession period not exceeding 25 years. For For-profit Toll Roads located in a central or western province, autonomous region or municipality directly under the central government, which is defined as such by the State, the concession period shall not exceed 30 years. In July 2015, the MOT promulgated the “Administrative Regulations on Toll Roads (Revised Draft for Comment)” (《收費公路管理條例》(修訂徵求意見稿)) outlining planned adjustments to toll collection periods, which allows for longer concession periods for toll roads and maintenance charges after concession expiration. The “Revised Draft” would allow the concession period to exceed 30 years if the investment is large and the investment return period is long. As of the Latest Practicable Date the amendment has not been put into effect, but if it is then this will open up new business opportunities for expressway operators with more flexibility on the commercial terms. To promote and standardise the public-private-partnerships of toll roads, the General Office of MOT also published guidelines in December 2015 (《關於印發〈收費公路政府和社會資本合作操作指南(試行)〉》). See “*Regulatory Overview—Regulations on Toll Collection*” for more information.

There have been examples of extensions of concession periods because of additional capital investment by toll road operators. For example, the Jiangsu section of the Shanghai–Nanjing Expressway, operational since 1996, was granted an extension of operating rights until June 2032 by the Jiangsu Provincial Government along with a road widening approval by the NDRC in 2004, expanding the road from a four-lane dual carriageway into an eight-lane dual carriageway upon completion of construction works in 2006. Similarly, the Jingshi section of the G4 Beijing–Hong Kong–Macau Expressway (G4京港澳高速公路京石段), previously known as the Hebei section of the Jingshi Expressway (原京石高速公路河北段) which had collected tolls since 1993, was granted operating rights of 22 years by the Hebei Provincial Government together with the approval by the NDRC of its road-widening construction project on the original roadbed that commenced in 2013. Although the term of operating rights of the original section of the Jingshi Expressway expired in November 2014, the operating rights of the new

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section as part of the Beijing–Hong Kong–Macau Expressway were refreshed in December 2014, expanding the road from a four-lane dual carriageway into an eight-lane dual carriageway upon completion of construction works in December 2014.

Country and Provincial Implementation of the Three Initiatives and Expressway Planning

The expressway industry plays a pioneering and crucial role in supporting the coordinated regional development of eastern, central, western and north-eastern China and the nation's Three Initiatives. The white paper titled "Development of China's Transport" (《中國交通運輸發展》白皮書) published by the State Council Information Office in December 2016 put further emphasis on the country's ambition to build a comprehensive transport system, with a faster and safer network to offer more efficient services to the public by 2020. According to the white paper, the country will renovate 30,000 km of expressways by 2020.

During the Twelfth Five-Year Plan period (2011-15), a total of RMB12.5 trillion was invested in transport infrastructure, facilitating the coordinated development between provinces and between urban and rural areas. Now, a country-wide highway network has been set up. New expressway linkages connecting with existing road networks along the economic belts and urban agglomerations along the Bohai Sea Rim, the Yangtze River and the "Belt and Road" regions are expected to serve as positive stimuli in terms of economic and traffic growth for the sector in the coming years. Local governments at the provincial level have also formulated development plans to serve the Three Initiatives: the Belt and Road Initiative, the Jing-Jin-Ji Integration initiative and the Yangtze River Economic Belt Development initiative, with emphasis on intercity expressway transport.

In its Thirteenth Five-Year Road Map for Transportation Development (《「十三五」河北交通發展具體路線圖》), Hebei Province sets an objective to become fully connected with Beijing and Tianjin Provinces through its transportation system. The plan lays out a target to increase its expressway mileage by 3,000 km to 9,000 km by 2020.

In its Thirteenth Five-Year Plan for Transportation Development (《湖南省交通運輸「十三五」發展規劃》), Hunan Province plans to extend its expressway mileage to above 7,000 km by 2020.

In its Thirteenth Five-Year Plan for Comprehensive Transport System (《山西省「十三五」綜合交通運輸體系規劃》), Shanxi Province targets to increase its expressway mileage to 7,200 km by 2020.

In its Thirteenth Five-Year Plan for Transportation Development (《安徽交通運輸行業「十三五」發展規劃》), Anhui Province aims to increase its expressway mileage to 5,200 km by 2020.

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Map of Main National Expressway Routes supporting the Three Initiatives of China



Source: National Development and Reform Commission

COMPETITIVE LANDSCAPE

Expressway projects are territorial in nature. The usage of roads depends on their accessibility relative to the points of origin and destinations for potential traffic. Competition is only likely to arise where the alternative road (if any) is close to, and no less efficient than, the existing expressways. See “*The Expressway Projects—Competition*” and “*Appendix III—Traffic Study Report*” for more information.

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We are an expressway investor and operator in the PRC with over 20 years of experience of operation in the toll road industry. Our principal activities are investment in, and the development, operation and management of, expressway projects in the PRC.

As of 31 December 2016, our portfolio consisted of interests in five expressway projects spanning approximately 340 km. The expressways we have interests in are located in four provinces across the PRC: Hebei, Hunan Shanxi and Anhui. These five expressways comprise:

- National Expressway G18 Baoding-Tianjin (“Baojin Expressway”)
- National Expressway G25 Tangshan-Tianjin (“Tangjin Expressway”)
- National Expressway G5513 Changsha-Yiyang (“Changyi Expressway”)
- Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi County (“Longcheng Expressway”)
- Provincial Expressway S24 Ma’anshan-Chaohu (“Machao Expressway”)

Our investments in expressway projects are held, via our wholly-owned subsidiaries, in the form of Expressway JVs with their respective Expressway JV Partners. Through our appointees on the board of directors of the Expressway JVs and our secondment of personnel to these companies, we focus on maintaining operational and cost efficiencies in our business operations. For the years ended 31 December 2014, 2015 and 2016, calculated by our proportionate share of the Expressway JVs based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods, our Group’s aggregate proportionate EBITDA margin was 83.0%, 82.1% and 83.8%, respectively, and our Group’s aggregate proportionate EBITDA from the Expressway JVs was approximately HK\$768.0 million, HK\$874.2 million and HK\$1,014.4 million, respectively*1.

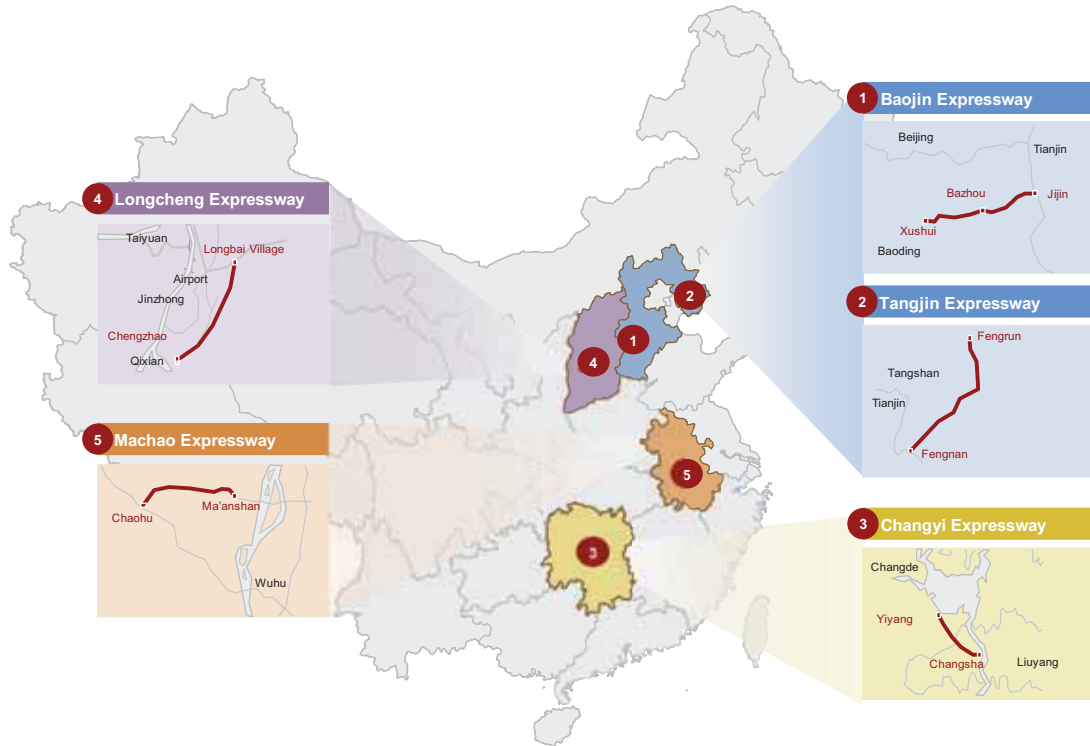
As of 31 December 2016, the net assets of the Expressway JVs shared by the Group, calculated based on our equity contribution ratios specified in the relevant Expressway JV Contracts as at the relevant date, were approximately HK\$3,007.7 million.

For the years ended 31 December 2014, 2015 and 2016, the total traffic volume recorded by the expressway projects we have interests in was approximately 55.6 million, 66.6 million and 74.0 million vehicles, respectively; our proportionate share of toll receipts (calculated based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods) was approximately HK\$925.7 million, HK\$1,064.7 million and HK\$1,210.7 million, respectively; and the cash distributions we received from the Expressway JVs, including the repayment of shareholders’ loans of HK\$51.6 million, HK\$55.6 million and HK\$46.3 million during these periods, were approximately HK\$464.8 million, HK\$471.2 million and HK\$550.0 million, respectively.

*1 EBITDA is not an HKFRS financial measure. See “Financial Information—Historical Non-HKFRS Financial Ratios” for more details.

THE FIVE EXISTING EXPRESSWAY PROJECTS

As of 31 December 2016, our expressway portfolio consisted of interests in five expressway projects spanning approximately 340 km. The five expressway projects are depicted in the following map:

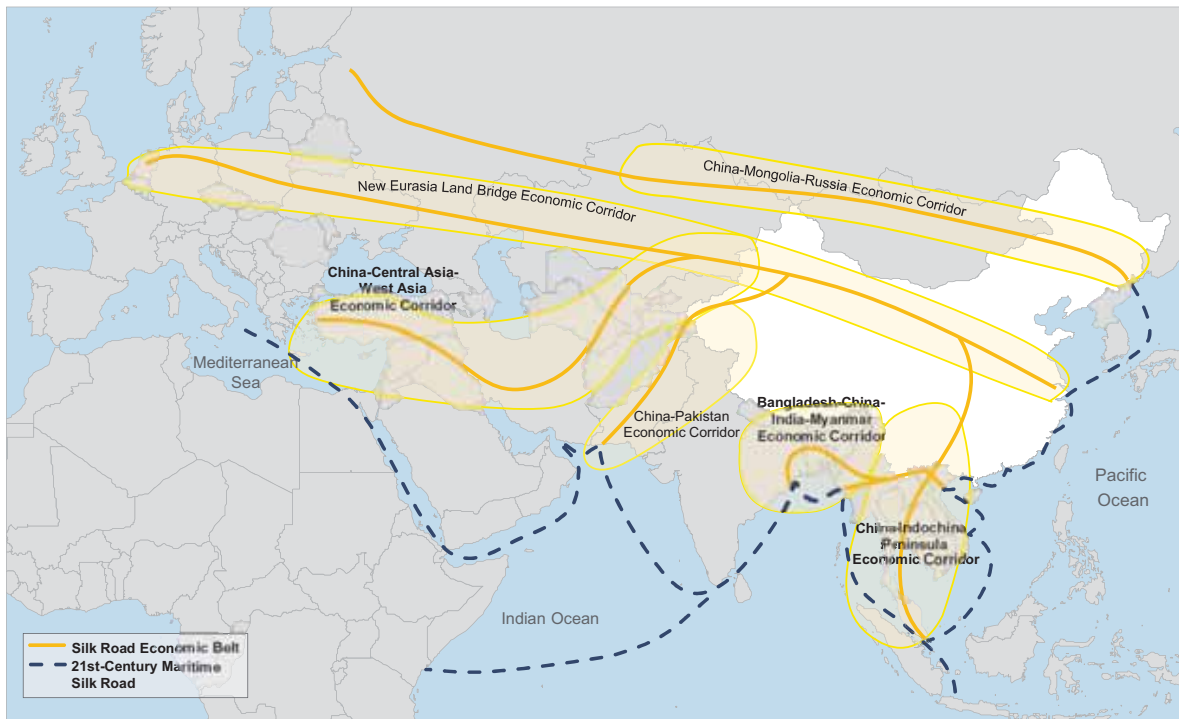


China's Three Initiatives

We believe that growth in traffic volume depends to a large extent on the continued economic growth of the PRC, which is driven by the government's development policies. Promulgated under the government's objective to promote coordinated development between cities and provinces and to stimulate the national and regional economic growth, China's Three Initiatives echo the goal of enhancing transportation connectivity and economic collaboration within and beyond China. As a result, we expect that the expressways we have interests in will generally benefit from the economic growth brought by these initiatives:

- **One Belt, One Road:** the map below sets out the proposed geo-economic cooperation as described in the "Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road" document issued by the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce.

Map of the "Silk Road Economic Belt" initiative and the "21st Century Maritime Silk Road" initiative under the "One Belt, One Road" initiative



Source: National Development and Reform Commission, Hong Kong Trade Development Council

Note: Actual routes may differ and may also extend to encompass other territories as the project develops.

As a national initiative that focuses on trade and infrastructure development, we expect the toll road industry will benefit from the economic growth as well as the increased transportation connectivity brought about by this initiative. For example, both Baojin Expressway and Tangjin Expressway reach Tianjin and Tianjin Port, a strategically important port that is part of the 21st Century Maritime Silk Road, furthering Hebei's vision to become a key passage of trade in support of the "One Belt, One Road" initiative.

- **“Coordinated Development of Beijing, Tianjin and Hebei” or “Jing-Jin-Ji Integration”**: the map below sets out the regions covered by the “Jing-Jin-Ji Integration” initiative.

Map of the “Jing-Jin-Ji Integration” Initiative



Source: National Development and Reform Commission

According to the “Coordinated Development of Beijing, Tianjin and Hebei” or the “Jing-Jin-Ji Integration” policy announced in 2015, China has set goals for a coordinated regional development in the next 15 years by connecting the capital city Beijing with neighbouring Tianjin Municipality and Hebei Province. The three northern areas, or Jing-Jin-Ji in their abbreviations, will be united into one economic sphere along the coast of the Bohai Sea, connecting 130 million people across Beijing, Tianjin and Hebei. The strategy will see the relocation of non-essential functions from Beijing to Tianjin and Hebei, which is expected to boost economic development within the region while addressing problems such as traffic congestion, overpopulation, pollution and resources scarcity within the capital city Beijing. Social development gaps between the “Jing-Jin-Ji” regions will also be narrowed, according to the programme. As an integral part of the transportation network connecting Tianjin and cities in Hebei Province, both Baojin Expressway and Tangjin Expressway facilitate closer connections between Tianjin and Hebei, furthering the “Jing-Jin-Ji Integration” initiative.

- **Yangtze River Economic Belt Development:** the map below sets out the eleven provinces and municipalities covered by the Yangtze River Economic Belt as described in the “Blue Print Promoting the Development of Yangtze River Economic Belt” issued by the National Development and Reform Commission, the Ministry of Industry and Information Technology and the Ministry of Science and Technology. Under the “Yangtze River Economic Belt Development” initiative, regions along the Yangtze River are expected to accommodate industries migrated from the coastal areas, thereby promoting integrated economic development along the Yangtze River.

Map of the “Yangtze River Economic Belt Development” Strategy



Source: National Development and Reform Commission

The construction of the Beiyang Expressway (which Machao Expressway is a part of) has been recognised by the Anhui Provincial Government as one of its key projects in promoting the development of the Yangtze River Economic Belt. Thus, Machao Expressway helps further the Anhui Provincial Government’s strategic plan to develop the Yangtze River Economic Belt, especially with respect to its goal to establish a comprehensive transportation system.

Brief Description of Our Expressway Projects

Our expressway business is carried out through Expressway JVs in which our current equity interests range from 40.0% to 49.0%. The operation of expressways principally involves collection of tolls and maintenance.

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. It is also a component of the G18 Rongcheng-Wuhai Expressway, one of the eighteen horizontal east-west national expressways, and is expected to benefit from incremental traffic flow upon the opening of its western section in 2017. 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. We expect that Baojin Expressway will benefit from both the “One Belt, One Road” initiative and the “Jing-Jin-Ji Integration” policy. In addition, a circular issued by the Central Committee of the Communist Party of China and the State Council in April 2017 (《中共中央、國務院關於設立河北雄安新區的通知》) announced that the Xiongan New Area (雄安新區) will be established in Hebei Province to advance the “Coordinated Development of Beijing, Tianjin and Hebei” policy. The total investment amount of the Expressway JV was approximately RMB2,400.0 million, of which we contributed approximately RMB960.0 million. We have a 40.0% equity interest in this project. This project earned approximately HK\$706.2 million, HK\$772.3 million and HK\$794.8 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We received approximately HK\$224.5 million, HK\$148.6 million and HK\$200.9 million in cash distributions from this project in 2014, 2015 and 2016, respectively. The term of this Expressway JV is 30 years beginning September 2003. Baojin Expressway is fully operational and has been collecting tolls since 1998. The proposal to initiate the initial phase to widen Baojin Expressway has been approved by Baojin Expressway JV’s board of directors. Subject to the government and the Expressway JV’s board approvals, we aim to have the Baojin Expressway JV concession period extended should Baojin Expressway JV invest in the upgrade.

Tangjin Expressway

Tangjin Expressway, which is approximately 58 km long, is situated in Hebei Province. It is a component of the Changchun-Shenzhen Expressway, one of the eleven vertical north-south national expressways. It connects Tangshan and Tianjin and is a major road connecting the southern and eastern coastal areas in Hebei including Tianjin, Tangshan and Qinhuangdao with the north-eastern region of China. It is a part of the Tangshan East Outer-Ring Highway and it also connects the Beijing-Harbin Expressway with the Beijing-Taipei Expressway, two of the seven radial expressways from Beijing. We expect that Tangjin Expressway will benefit from both the “One Belt, One Road” initiative and the “Jing-Jin-Ji Integration” policy. The total investment amount of the Expressway JV was approximately RMB1,775.4 million, of which we contributed approximately RMB798.9 million. We have a 45.0% equity interest in this project. This project earned approximately HK\$598.4 million, HK\$668.4 million and HK\$612.2 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We received approximately HK\$47.7 million, HK\$102.5 million and HK\$134.2 million in cash distributions from this project in 2014, 2015 and 2016, respectively. The term of this Expressway JV is 18 years beginning January 2005. Tangjin Expressway is fully operational and has been collecting tolls since 1996. The proposal to initiate the initial phase to widen Tangjin Expressway has been approved by Tangjin Expressway JV’s board of directors. Subject to the government and the Expressway

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JV's board approvals, we aim to have the Tangjin Expressway JV concession period extended should Tangjin Expressway JV invest in the upgrade.

Changyi Expressway

Changyi Expressway, which is approximately 69 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, and is expected to benefit from an increase in freight and logistic transportation flowing in and out of these development zones. The total investment amount of the Expressway JV was approximately RMB1,432.6 million, of which we contributed approximately RMB618.4 million. We have a 43.17% equity interest in this project. This project earned approximately HK\$652.9 million, HK\$709.6 million and HK\$749.8 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We received approximately HK\$192.6 million, HK\$214.2 million and HK\$214.9 million in cash distributions, including the repayment of shareholders' loans of HK\$51.6 million, HK\$49.6 million and HK\$46.3 million during the same periods, from this project in 2014, 2015 and 2016, respectively. The term of this Expressway JV is 27 years beginning October 1997. Changyi Expressway is fully operational and has been collecting tolls since 1998. We are currently working with the Expressway JV Partner to look into the possibility of widening Changyi Expressway. Subject to the government and the Expressway JV's board approvals, we aim to have the Changyi Expressway JV concession period extended should Changyi Expressway JV invest in the upgrade.

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 component of the Beijing-Kunming Expressway, one of the seven radial expressways from Beijing. 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. It is a critical component of the national expressway system connecting Beijing and the south-western regions in China. The total investment amount of the Expressway JV was approximately RMB4,247.7 million, of which we contributed RMB660.2 million. We have a 45% equity interest in this project. The operation of Longcheng Expressway commenced in July 2012. This project earned approximately HK\$207.4 million, HK\$242.0 million and HK\$316.6 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We did not receive any cash distributions from the project in 2014, 2015 or 2016. The term of this Expressway JV is 30 years beginning July 2012. Longcheng Expressway is fully operational and has been collecting tolls since 2012.

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. We expect that Machao Expressway will benefit from the "Yangtze River Economic Belt Development" policy. The total investment amount of the Expressway JV was approximately RMB2,360.1 million, of which we contributed RMB580.3 million. We have a 49% equity interest in this project. This project earned HK\$89.7 million, HK\$186.9 million and HK\$220.2 million in toll receipts (net of business tax or value-added tax) in 2014, 2015 and 2016, respectively. We did not receive any cash distribution from the project in 2014, 2015 or 2016. The term of this Expressway JV is 30 years beginning December 2013. Machao Expressway is fully operational and has been collecting tolls since the end of 2013 and we completed the acquisition of our interest in the Machao Expressway JV in June 2014.

Further details of our projects are set out below in the section "*The Expressway Projects*".

STRENGTHS AND STRATEGIES**Competitive strengths**

We believe that, with over two decades of experience in the PRC toll road infrastructure industry, our Group has developed the following strengths and competitive advantages:

Geographically diversified portfolio of expressways strategically located in the PRC

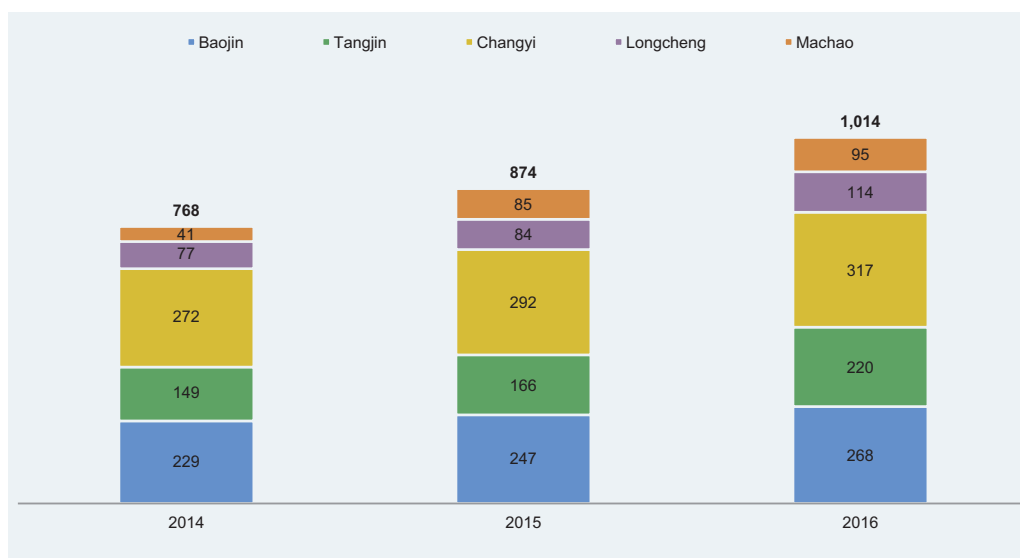
As an early entrant into the PRC toll road business in 1993, we were one of the foreign entity pioneers engaged in the investment, development, operation and management of toll roads in the PRC. We have a proven track record of achieving returns from a geographically diversified portfolio of toll roads since our inception, in addition to our historical success in achieving good returns through managing and sale of our interests in expressways with our asset management skills in the toll road industry.

As of 31 December 2016, we had an established portfolio which consisted of interests in five expressways in four provinces across the PRC, spanning approximately 340 km and with a weighted average remaining concession period of approximately 16.6 years. Each of these expressways is strategically located within provinces forming important corridors of economic activity and share one or more of the following characteristics: (i) serving as a trunk road or major artery of a national or regional road network; (ii) possessing strong connectivity to key provincial municipalities, populous and important industrial or coastal regions; (iii) connections to key infrastructure such as airports and ports; and (iv) connections to other national trunk roads and major feeder roads. See "*The Expressway Projects*" for more information.

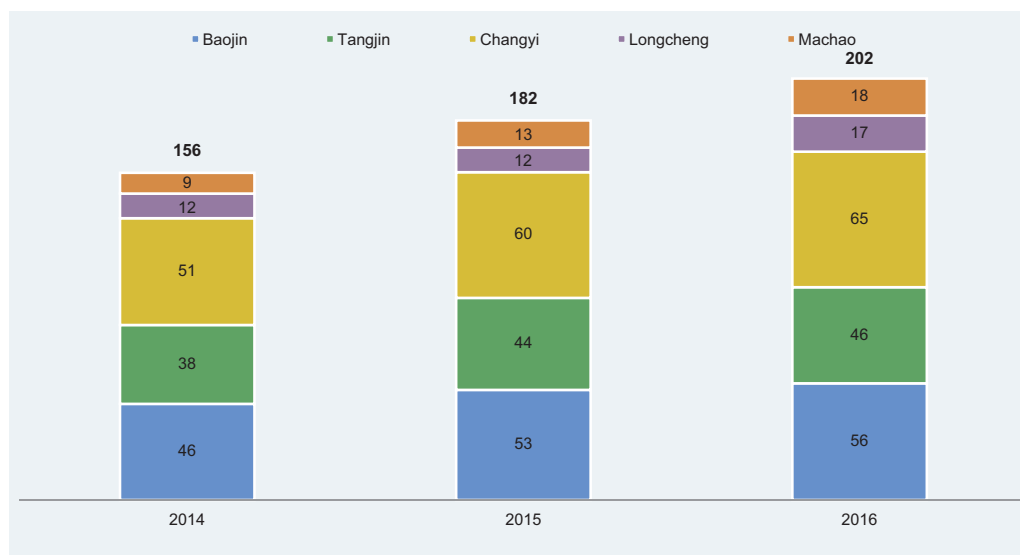
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Our geographically diversified portfolio also helps us reduce our concentration risk exposure effectively as our sources of income are generated from provinces and regions with different economic drivers. The charts below set out the EBITDA and average daily traffic breakdown of each of these expressways for the years ended 31 December 2014, 2015 and 2016:

The Group's Aggregated Proportionate EBITDA from the Expressway JVs² (HK\$ million)



Average Daily Traffic Breakdown by the Five Expressways³ ('000 vehicles)



Similarly, our diversified portfolio allows us to reduce the policy and political concentration risk exposure of our expressways from policies that may be adopted in any

² EBITDA is not an HKFRS financial measure. See "Financial Information—Historical Non-HKFRS Financial Ratios" for more information.

³ For Machao Expressway, "average daily traffic flow" represents its weighted average daily section traffic flow. See "Glossary of Technical Terms—average daily traffic flow" for more details.

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single province. We can also leverage our knowledge in implementing new interpretations of government policies from one province into another province.

As a result of our high-quality and diversified portfolio, we believe the Group is well positioned to continue achieving good returns and strong cash flow generation going forward.

A mix of expressways at different stages of their life cycles providing stable cash flows and earning growth potential

The expressways that we have interests in are at different stages of their life cycles, which provides us with a combination of predictable and steady cash flows and foreseeable growth potential. We have three mature expressways, Baojin Expressway, Tangjin Expressway and Changyi Expressway, which provide steady streams of cash flows for us to build a solid financial foundation with less debt at the Expressway JV level. We also have two expressways in the ramp-up phase, Longcheng Expressway and Machao Expressway, which are expected to generate much higher cash flows as their traffic flows continue to grow.

We have a proven track record of stable cash flow which has been underpinned by the consistent growth in traffic volume of the expressways that we have interests in. For instance, the average traffic volumes of the three mature expressways increased from approximately 111,000 vehicles in 2012 to approximately 167,000 vehicles in 2016, representing a CAGR of approximately 10.8%. The total toll receipts of, and the total cash distributions received from, the corresponding Expressway JVs generally increased over the past five years, despite occasional impacts resulting from major maintenance and repair works on the expressways and changes in preferential cash distributions structure according to the Expressway JV Contracts.

The two expressways that are in the ramp-up phase, Longcheng Expressway and Machao Expressway, have demonstrated strong earnings growth momentum since our entry as an investor as a result of increasing traffic flows. The average daily traffic flows of these two expressways in aggregate increased from approximately 21,000 vehicles in 2014 to over 25,000 vehicles in 2015, and further to approximately 35,000 vehicles in 2016, representing a CAGR of 30.0% over the period. The EBITDA from the corresponding Expressway JVs has also increased from HK\$253.6 million in 2014 to HK\$359.4 million in 2015, and further to HK\$447.4 million in 2016, representing a CAGR of 32.8% over the period. Although no cash distribution has been made by either of them due to their capital expenditures as well as repayments of loans, they both earned a profit in 2016 and we expect to receive cash distributions from them from the end of 2017 onwards.

We believe that traffic flows on all the expressways we have interests in will continue to grow over the long term as a result of the growth of the economies and private vehicle ownership in the relevant provinces.

The Group benefits from high barriers to competition and the expressways' territorial features and strategic locations

The high entry barriers in the expressway industry offer our Group substantial incumbency and lead-time advantages. Financial capacity, technological know-how, industry experience, established governmental and business relationships, and the ability to commit

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resources to lengthy regulatory approvals and development processes are among the critical prerequisites for success. The process of obtaining the necessary official approvals, land use rights and financing for a PRC expressway project is, in particular, complex, lengthy and expensive. In addition, the open bid process in the PRC is selective, with some of the tender specifications we have seen requiring bidders to have a minimum of five years of experience in (i) the management of and investment in toll roads in the PRC; or (ii) the operations or management of toll roads in specific local regions. In some cases, the tender specifications we have seen have required the bidder to have a sound financial track record or a specified minimum asset value. These requirements create significantly high barriers for new entrants. We are well positioned to combat future competition with our well-known brand, proven track record, extensive industry experience, advanced operational know-how and established governmental and business relationships.

Furthermore, expressway projects are territorial in nature. The usage of roads mainly depends on their accessibility relative to the points of origin and destination for potential traffic. Competition from other roads is only likely to arise where the alternative road is close to, and no less efficient than, the existing expressways. The expressways we have interests in are already supported by major feeder roads connecting them with many of the most populous and important coastal or industrial regions, landmark infrastructure facilities such as airports and ports in their respective provinces and other major trunk roads on either the provincial or national level. In addition, we believe that the strategic locations of some of the expressways will enable them to benefit from China's Three Initiatives.

Operational and cost efficiency

We believe that we are, and the Expressway JVs are, operationally and cost efficient. Through our appointees on the board of directors of the Expressway JVs and our secondment of personnel to these companies, we focus our attention on maintaining operational and cost efficiencies of the Expressway JVs. Our efforts have resulted in (i) the Group's aggregate proportionate EBITDA margin being over 80% during the Track Record Period, (ii) enhanced customer satisfaction and perception of the Expressway JVs, and (iii) attractive returns generated on our investments.

Our efforts in helping the Expressway JVs develop and implement preventive and cost saving maintenance measures include, but are not limited to:

- Developing comprehensive routine maintenance measures and implementing preventive measures to road pavements to maintain prime road conditions and increase the lifespan of the road pavement. We believe that this enables the Expressway JVs to maintain the expressways at a satisfactory level with reduced overall maintenance costs throughout their full lifecycle. It also lessens the need for major repairs and the resulting service suspensions;
- Deploying advanced technologies and adopting scientific evaluation methods to monitor the road conditions; and
- Having strict controls over overweight vehicles by installing weight measuring devices at all toll stations to lessen damage to the expressways.

The maintenance and repair carried out by the Expressway JVs exceed the industry standard for excellence. The MQIs of the expressways we have interests in have been rated

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at an average of 95 out of 100 points compared to the national requirement for excellent standard of 90 points in the National Highway Maintenance and Management Surveillance in 2014, 2015 and 2016.

In addition, we have helped the Expressway JVs implement various measures to optimise the driving experience on the expressways, which we believe have increased the operational and cost efficiencies, leading to increased traffic flow and toll receipts. Such measures include but are not limited to:

- Installing modern equipment to further enhance their operational efficiencies.
In order to increase the efficiency and accuracy in toll collections in parallel with the reduction of labour costs, the Expressway JVs have increased the number of ETC lanes at each of the expressways and installed automatic ticketing systems for passenger vehicles at some of the expressways. Various types of monitoring systems are installed to check whether vehicles using the toll-free green passage qualify for the exemption, reducing the drivers' waiting time at the toll plazas and improving the operational efficiency of the toll lanes. Monitoring systems have been installed throughout Tangjin Expressway and Baojin Expressway to monitor traffic conditions on a real time basis;
- Having emergency response plans in place for accidents, adverse weather conditions, natural disasters and other events to facilitate smooth operations and minimise traffic congestions and disruptions;
- High levels of coordination with highway patrol officers and the Road Administration Bureau responsible for Tangjin Expressway during adverse weather conditions (such as snow storms and heavy fog) to direct vehicles to pass through the expressway in an organised and safe manner, which allows the collection of tolls to continue even during adverse weather conditions.

Furthermore, we implemented direct management and enterprise management concepts in the Group's operations, reducing bureaucratic processes and command-and-control leadership and promoting pragmatic approaches in the Group's management, thereby improving the Group's operational and cost efficiencies.

Strategically adopted the joint venture business model and leveraging strong partnerships with local highway bureaus and governments

We believe that our strategic decision to operate the Expressway JVs' businesses under the joint venture business model, our selection of suitable local Expressway JV Partners and our ability to co-operate effectively with these Expressway JV Partners (including local PRC government authorities) are key factors that have contributed to our success.

As a foreign investor, we have chosen to operate under a joint venture model in the PRC for several strategic reasons:

- All of our Expressway JV Partners are either subsidiaries or entities incorporated under the auspices of the local highway bureaus and/or municipal or provincial governments which have technical expertise and in-depth knowledge of local conditions that could enhance the performance of the Expressway JVs;

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- Our Expressway JV Partners have good relationships with local government authorities and they can facilitate the process in obtaining any necessary approvals or permits to operate the Expressway JVs;
- The joint venture structure aligns our strategic and financial interests with those of the Expressway JV Partners because they have significant (between 51% and 60%) equity interests in the Expressway JVs;
- As a foreign investor, we can have effective dialogue with relevant government authorities, including the department of transportation at provincial level and bureaus at local municipality level, which complements our Expressway JV Partners' ability to share their views on policies with local authorities; and
- The joint venture structure in which we actively participate in the management of the Expressway JVs allows us to apply our industry experience and operational know-how to the expressways we have interests in, making them operationally and cost efficient.

As a result of the successful joint venture model, we have established strong, long-term relationships with the relevant PRC government authorities. Our frequent communications with the local and national authorities keep us apprised of national and regional road network plans, project construction status and potential future competition, and further enable us to make informed business and investment decisions that are consistent with our overall business strategies. We believe that our long-term relationship and our successful co-operation with our Expressway JV Partners and the PRC government authorities also positions us well to capitalise on future strategic, high-quality expressway and/or infrastructure investment opportunities and enable us to leverage our respective strengths to achieve mutual growth and support.

Experienced and stable management actively involved in the management of the Expressway JVs

We benefit from our experienced management team that is able to identify and act effectively on market opportunities and to leverage successfully their asset management skills:

- Our management has, on average, over 20 years of industry experience in operating and managing toll roads in the PRC that we have (or used to have) interests in covering a distance of nearly 1,400 km.
- Our management team consists of experienced professionals and has relevant skills and experience in developing, managing and operating expressways and other infrastructure projects, providing us with invaluable industry expertise and guidance.
- In addition, our management possesses other key attributes that we believe are required for successful toll road management: (i) the ability to successfully procure toll road investment opportunities, (ii) the ability to operate efficiently and achieve good returns, (iii) in-depth local knowledge and strong relationships with the PRC government authorities; and (iv) in-depth understanding of the relevant government policies.

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We believe that our active participation in the management of each of the Expressway JVs also provides us with a competitive edge. We nominate people to the boards of directors of the Expressway JVs and routinely second staff to key management positions across major operational functions at each Expressway JV, such as toll management, engineering, finance and accounting and administrative and human resources. Our active management style keeps us involved in the day-to-day operations of, and decision-making at, the Expressway JVs, which allows us to maximise the value of our existing business and investments.

Our success in the industry has been illustrated by a number of awards the Expressway JVs received, including but not limited to the Provincial Award of Role Model Organisation in Transportation for Machao Expressway in 2013/2014 and the Provincial Award for Excellence in Management and Operation of Expressway for Changyi Expressway in 2013, 2014 and 2015. In addition, Baojin Expressway JV and Tangjin Expressway JV have obtained the World Standards Certification for Expressway Operation and Management.

Strategies

Our objective is to provide Shareholders with stable distributions as well as the potential for the sustainable long-term growth of such distributions. We aim to achieve this objective through implementing a combination of the following strategies:

Further improve the operational and cost efficiencies and maintain the competitiveness of the existing expressways

Building on our existing strength of delivering operational and cost efficiencies, we will continue to look for new and effective ways to improve the operational and cost efficiencies of the expressways we have interests in:

- **Road maintenance, new toll system and traffic monitoring:** To enhance the competitiveness of the existing expressways we have interests in, we plan to work with the Expressway JVs to further improve their accessibility, speed, ride quality and safety of the roads. We will ensure the existing expressways we have interests in are well maintained and offer smooth ride conditions with uninterrupted traffic flow. We aim to achieve this through forward planning and demand anticipation (such as implementing preventive measures to maintain road standards and performing any necessary improvements and upgrades in advance). We will also continue to improve the communication, surveillance and control systems of the existing expressways we have interests in.
- **Maximise toll collection:** As a part of our initiative to improve the operational and cost efficiencies, we will continue our efforts to maximise the Expressway JVs' toll revenue by reducing the number of toll-free policies adopted by government authorities (including, the holiday toll-free policy for passenger vehicles and green passage toll-free policy) through active lobbying and negotiation with government authorities. We aim to further increase our actual toll collections over time.
- **Increased marketing efforts:** In addition, we plan to work with the Expressway JVs to increase the accessibility of the existing expressways we have interests in through various initiatives, including adding more direction boards in nearby connecting roads that show clear directions to these expressways, handing out

travel route guidance cards, leveraging e-commerce to promote the expressways via mobile mapping applications and providing traffic news via radio.

In addition, working with our Expressway JV Partners, we aim to invest to upgrade the existing expressways should suitable opportunities arise. Longcheng Expressway JV currently plans to build a new interchange, the Longhu Interchange, between the Longbai Interchange and Jinzhong East toll plaza. The project will serve as an important gateway to the city of Jinzhong, and bring additional traffic flow to Longcheng Expressway. Together with the relevant Expressway JV Partners, we are currently working to look into the possibilities of widening Baojin Expressway, Tangjin Expressway and Changyi Expressway. The proposals to initiate the initial phases to widen Baojin and Tangjin Expressways have been approved by the relevant Expressway JVs' boards of directors. Once the initial phases are completed, further approvals by the relevant government authorities as well as the Expressway JVs' boards of directors are required before the expressways are widened. We also aim to have the relevant Expressway JVs' concession periods extended should the relevant Expressway JVs invest in the upgrades. See "*Summary—Recent Developments*" for more details.

Strategically pursue value-enhancing acquisitions in expressways and capitalise on opportunities from the "One Belt, One Road" initiative

We intend to seek strategic opportunities to invest in expressway projects in the future utilising our in-depth know-how accumulated from over 20 years of successful experience in toll road operations and asset management in the PRC. We prefer to invest in expressways that are at least partially completed or currently in operation, which we believe minimises our exposure to uncertainties involved with construction, such as cost overruns or delays in completion of a project, and reduces the ramp-up time before full capacity usage is achieved.

In addition, we plan to leverage the "One Belt, One Road" initiative to invest in regions that would be connected through the initiative. The Belt and Road run across the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developed European economic circle at the other, and encompassing countries with tremendous potential. We believe the "One Belt, One Road" initiative, which focuses on trade and infrastructure development, will strengthen the interactions among the different regions within China and the countries along the "One Belt, One Road" corridor. The initiative will increase the demand for better infrastructures, including expressways. With the strong toll road management and development skills accrued from operating toll roads in a developing country such as China, we believe we are in a strategically advantageous position to capitalise on the "One Belt, One Road" initiative and focus on new investment opportunities in regions within China that may benefit from such initiative. We may look for new opportunities in the western part of China, where we believe expressways may become more attractive due to the increased traffic flow as a result of the One Belt, One Road initiative. We may also look for new opportunities in other developing countries in South East Asia that will benefit from the "One Belt, One Road" initiative.

With a combination of our strong financing capabilities and our management team's ability to identify and act effectively on market opportunities with a pioneering vision, we believe our Group will be in an advantageous position when entering these markets. We may also consider other opportunities in the infrastructure sector, with a priority on toll road projects in the long run. For more information on our expressway investment strategy and selection criteria, see "*—Our Operating Plan—Project selection criteria and evaluation process*".

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Optimise overall capital structure of the Group

Our cash-generating expressway business provides our Group with a firmly grounded and stable financial position. We aim to provide our Shareholders with stable distributions as well as the potential for the sustainable long-term growth of such distributions, while maintaining flexibility for the Group to implement strategies for growth and future acquisitions at the same time. We may consider diversifying our sources of funding by accessing the debt capital markets through the issuance of unsecured bonds. We have received commitment letters from The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., confirming availability of committed term loans for principal amounts of HK\$750.0 million and US\$25.0 million, respectively, to facilitate the Group's operations as well as future corporate development such as new acquisitions. We may also pursue growth opportunities that require the Group to raise equity capital through the issuance of new shares in the future. Any decision to raise additional equity will also take into account the Group's capital structure. We will continue to manage carefully our capital structure by adopting and maintaining an appropriate mix of debt and equity to enhance the returns to Shareholders. As of 31 December 2016, we had no outstanding borrowings at the Group level. Three of the Expressway JVs had in aggregate HK\$5,190.8 million of outstanding bank borrowings as of the same date. We will continue to monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

OUR OPERATING PLAN

Expressway JV Contract Terms

Our interests in the Expressway JVs are held, through our project holding companies, in the form of joint ventures with our respective Expressway JV Partners. In the PRC, the structure of a joint venture allows the joint venture parties more flexibility in structuring their investments and in determining their rights, liabilities and obligations. Cash distributions of the Expressway JVs are made to the parties in such manner as the parties may agree in the Expressway JV Contracts, rather than in strict proportion to their capital investment in the Expressway JVs. For instance, a foreign party may recover its investment first during the Expressway JV term if it is agreed in the Expressway JV Contract that the Chinese party shall keep the fixed assets of the Expressway JV without compensation upon expiration of the Expressway JV term. Except for Longcheng Expressway and Machao Expressway, the cash distribution arrangements for which are based on the equity ratio of each Expressway JV Partner, all other Expressway JVs adopt cash distribution arrangements in their respective Expressway JV Contracts pursuant to which the profit/cash sharing ratios between us and our Expressway JV Partners vary at different stages and are more favourable to us at the beginning. The cash distribution arrangements for Baojin Expressway and Tangjin Expressway are currently at the final stage where 40% and 45% cash distributions are made to us, respectively, which coincides with our equity interest ratios in these Expressway JVs. The profit sharing arrangement for Changyi Expressway is at 50%, while the Group's interest in the expressway is at 43.17%. For details of the historical profit distribution stages, see "*The Expressway Projects*".

Historically, when we have identified a potential project that we believe would make a valuable contribution to our business, a formal joint venture contract would be negotiated and signed by one of our subsidiaries with the respective expressway joint venture partner.

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Generally, we provided the financing for the Expressway JV and the Expressway JV Partner provided the underlying property asset and the toll licence. Under the terms of the Expressway JV Contracts, the Expressway JVs have the right to operate and collect tolls but generally do not own the land use rights of the expressways. While the equity interest of an Expressway JV may not be transferred to a third party without approvals from the relevant government authorities and a unanimous approval of all directors of the board of the Expressway JV, each of us and our respective Expressway JV Partners has the right of first refusal on the transfer of any equity interest in the Expressway JV. Each of the Expressway JVs has the exclusive right to operate the relevant expressway for a fixed term ranging from 18 to 30 years, and upon expiry of the Expressway JV Contract, all fixed assets will be transferred to the respective Expressway JV Partners or the relevant government authority.

Each of the Expressway JV Contracts we have entered into sets out our participation in the Expressway JV with provisions on, among other things, the time of payment and amount of capital contribution (which is in the form of equity, giving us long-term returns on our investment through cash distributions, and shareholders' loans, providing us with a more frequent, regular and predictable cash flow over the life of the Expressway JV through interest payments and repayments of principal), and the authorities and the responsibilities of the Expressway JV parties. We have endeavoured to include the following terms, where possible and appropriate, in the Expressway JV Contracts:

- Assigning to the Expressway JV Partner the primary responsibility for obtaining the necessary government approvals for the relevant Expressway JV and its operations; and
- The payment of preferential cash distributions to us to accelerate the return of our original capital investment.

For details regarding the cash distribution arrangements applicable to the Expressway JVs and loans we have made to the Expressway JVs, see "*The Expressway Projects*" and "*Financial Information—Key Factors Affecting Our Results of Operations*".

The key terms of the Expressway JV contracts for each of the expressway projects are set out in the table below:

	Baojin Expressway	Tangjin Expressway	Changyi Expressway	Longcheng Expressway	Machao Expressway
Province	Hebei Province	Hebei Province	Hunan Province	Shanxi Province	Anhui Province
Length	105km	58km	69km	72km	36km
Route	From the border between Hebei Province and Tianjin to Xushui in Baoding	From Tangshan to Tianjin	From Changsha City to Yiyang City	From Yuci Longbai Village located in the east of Taiyuan City to Chengzhao in Qi County	From Hefei-Chaoahu-Wuhu Expressway to Ma'anshan Yangtze River Bridge
Expressway JV Partner	Hebei Provincial Expressway Development Company	Hebei Provincial Expressway Development Company	Hunan Expressway Construction Development Company	JZPI and Jinzhong Lutong Highway Development Company Limited ⁽³⁾	Anhui Transportation Holding Group Company Limited
Date of the Expressway JV Contract	June 2003	January 2005	August 1997	April 2011	April 2014
Expressway JV concession period	30 years	18 years	27 years	30 years	30 years
Expressway JV expiry date	September 2033	January 2023	October 2024	June 2041 (extendable upon mutual consent)	May 2044
Concession period expiry date	September 2033	January 2023	October 2024	July 2042	December 2043
Our contribution to the total investment⁽¹⁾	RMB960.0 million	RMB798.9 million	RMB618.4 million	RMB660.2 million	RMB580.3 million
Our equity interest	40%	45%	43.17%	45%	49%
Current profit/cash sharing ratio to us	40%	45%	50%	45%	49%
Number of directors to be appointed to the board by our Group	4 out of 10, including vice chairman of the board	3 out of 7, including vice chairman of the board	3 out of 7, including vice chairman of the board ⁽²⁾	3 out of 8, including either chairman or vice chairman of the board by rotation of each term of three years	2 out of 5, including vice chairman of the board
Senior officers appointed by Our Group	General Manager	General Manager	General Manager ⁽²⁾	General Manager or the Deputy General Manager by rotation; Chief Financial Officer	General Manager

Notes:

- (1) See "The Expressway Projects—Financing" for more details.
- (2) The nomination rights of the chairman and vice chairman of the board as well as the general manager and deputy general manager of Changyi Expressway JV may be changed upon mutual consent of the parties.
- (3) The board of Longcheng Expressway JV approved a partial equity transfer by JZPI on 15 February 2017. See "The Expressway Projects—Longcheng Expressway—Recent Developments—Equity Transfer" for more details.

Expressway JV management

We believe that our direct involvement in the management of the Expressway JVs, as well as application of efficient management techniques, are key to the successful management of the Expressway JVs. The Expressway JV Partners and we jointly control the decision-making process of the Expressway JVs. The Expressway JVs are supervised by their respective boards of directors, who are appointed jointly by the Expressway JV Partners and us. The number of directors appointed by us is determined by the relevant Expressway JV Contract. The chairman and the vice chairman of the board of each Expressway JV are appointed by different parties to ensure proper checks and balances at each Expressway JV.

The general managers play important roles in the day-to-day management and operation of each Expressway JV. Currently, we appoint the general manager at each of the Expressway JVs and the persons we appoint to this role are experienced project managers. The general managers and deputy general managers share the responsibilities for the day-to-day operations and management of each of the Expressway JVs. In addition, any major expenses must be approved by both the general manager and deputy general manager to ensure proper checks and balances at the Expressway JVs are in place. These managers work with teams of experienced toll management, engineering, finance and accounting and administrative and human resources staff seconded to their respective Expressway JVs.

Members of staff from our team located in Shenzhen also regularly visit the offices of the Expressway JVs in the PRC to monitor if they comply with PRC regulations and our operating standards.

In addition to general managers and deputy general managers, the Expressway JVs have other senior management, finance and accounting, engineering and maintenance, operations and toll collection, administration and human resources as well as inspection, monitoring and E&M divisions that provide specialised services to assist the general managers and deputy general managers at each project location. A brief description of their functions is set forth below:

- **Senior Management:** The senior management is responsible for the management of the overall business operations at each Expressway JV in accordance with the decisions of their respective boards of directors. The senior management takes charge of the formulation, revision and enforcement of internal rules and regulations, the execution of annual plans and budgets, the review and approval of employee benefits and movements, health and safety management, as well as compliance with local and national toll road-related laws and regulations. The senior management liaises with local government authorities to create positive operating environments for the Expressway JVs and plays a critical role in fostering the corporate culture.
- **Finance and Accounting Division:** The finance and accounting division is responsible for overseeing the financial management (including but not limited to asset management, procurement, price enquiry, storage and inventory examination) at the Expressway JVs, conducting internal audit procedures and preparing financial information. This division liaises with government authorities to facilitate smooth operation of the Expressway JVs' businesses. It also provides regular training to finance staff of the relevant Expressway JV.

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- **Engineering and Maintenance Division:** The engineering and maintenance division is involved in the outsourcing and finalisation of the design, tendering out, management and quality inspection of routine maintenance and intermediate and major repair works, as well as formulating and executing the policies, procedures, targets and short- to long-term plans for maintenance and repair works at the Expressway JVs. This division is familiar with the technical details and local conditions of individual expressways. It keeps track of maintenance-related information such as the conditions of bridges and different sections of the expressways, and attends to emergencies on the relevant expressways. The engineering division comprises of engineering experts who are responsible for resolving technical issues and assisting in assessing new projects.
- **Operations and Toll Collection Division:** The operations and toll collection division is responsible for the management of toll collection and traffic management of the Expressway JVs. This division is also responsible for formulating business strategies and internal policies, budget preparation, planning and managing projects and providing guidance to different divisions on management, health and safety, corporate image building and quality service. It prepares regular (daily, weekly, monthly, quarterly and annually) reports on toll receipts and traffic volume and makes recommendations to the management of each Expressway JV based on such data. It also holds regular meetings with and provides regular training to the toll collectors to deal with issues and problems at toll plazas and facilitate the smooth toll collection process.
- **Administration and Human Resources Division:** The administration and human resources division is responsible for performing day-to-day administrative tasks, coordinating the work between different divisions, managing business record archives, taking charge of logistics, building external relations, and managing human resources.
- **Inspection, Monitoring and Electrical & Mechanical (E&M) Division:** The inspection and monitoring unit is responsible for inspecting and monitoring the day-to-day operation of the Expressway JVs to make sure they are in compliance with their internal policies. Particularly, it monitors the card issuance, toll collection and the operation of monitoring centres at each of the toll plazas in order to ensure compliance with the relevant Expressway JV's toll receipts management system, as well as to prevent cash misappropriation by employees or third-parties. This division is also responsible for releasing live road traffic information to the public through monitoring the traffic conditions at key sections of the expressways.

The E&M unit is responsible for maintaining, connecting, upgrading and retiring the software and hardware of the E&M system. It is in charge of the procurement, storage, usage and distribution of spare parts. It also holds regular trainings and assessments to help employees improve their skills in the usage and maintenance of the E&M system.

Project selection criteria and evaluation process

Our expressway investment strategy is to select projects to maximise the expected return for us and to minimise the risk exposure associated with the uncertainties of these

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projects. We prefer to invest in expressways that are at least partially completed or currently in operation, which we believe minimises our exposure to uncertainties involved with construction, such as cost overruns or delays in completion of a project, and reduces the ramp-up time before full capacity usage is achieved.

The major selection criteria we will apply in the acquisition of a new expressway project are as follows: (i) priority will be given to investing in toll road projects that are already operating and collecting tolls or close to commencement of operations; (ii) the investment must be one we consider is likely to generate an attractive return; and (iii) focus will be on provinces where we have an existing business presence or local knowledge. When we select the location of a new expressway project overseas, preference will be given to countries (i) in which the local government is open to foreign investment; (ii) that have highly populous cities or regions; (iii) that are politically stable; (iv) that have high demand for infrastructure; (v) that have high demand for capital investment; and (vi) that are experiencing high economic growth thereby driving traffic growth. Furthermore, when selecting the location overseas, we will carefully assess and evaluate the estimated expected return, the specific country risks, the socio-economic and demographic conditions of the prospective project location (including local relationships, preferential tax treatment, legal system and political risks), the local joint venture partners, the joint venture structure, the experience of our staff, our financial resources, any applicable quality requirements and the financial data of the prospective project.

We have set up an investment committee, which develops the Group's investment strategy, reviews and recommends changes to such investment strategy as and when necessary, reviews and makes recommendations to the Board on proposed acquisition and disposal opportunities and corresponding financing solutions, studies the overall strategic plan of the Company and monitors the implementation of investment strategy approved by the Board. See "*Directors and Senior Management—Board Committees—Investment Committee*" for more details.

In the PRC, we aim at entering into joint venture agreements with joint venture partners that are either subsidiaries or entities incorporated under the auspices of the local highway bureaus and/or municipal or provincial governments. We believe these joint venture partners have technical expertise and in-depth knowledge of local conditions that can enhance the performance of the joint ventures. We also believe that they have good relationships with local government authorities and can facilitate the process of obtaining necessary approvals and permits to operate the joint ventures.

We undertake due diligence on our prospective projects, which includes conducting feasibility studies, traffic studies, detailed financial analyses, vetting prospective joint venture partners and reviewing relevant contracts, approvals and licences. We generally take the following steps in the project evaluation process:

- We review government feasibility reports to assess the economic and technical viability of each proposed project. These feasibility reports are generally prepared by independent PRC design institutes, which are appointed by the government, for submission to municipal planning committees for approval. They generally consist of analyses of (i) traffic demand in the region; (ii) traffic volume forecasts;

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- (iii) regional social and economic environment; (iv) technical specifications and construction costs of the roads; and (v) financial aspects of the project.
- We conduct our own traffic studies at project locations and perform internal financial analyses, taking into account factors such as (i) past economic growth; (ii) historic traffic growth and forecasts of future growth; (iii) inflation rate forecasts; (iv) profit distribution arrangements; (v) development of new roads, townships and industrial sites in nearby areas; and (vi) projected increases in toll rates.
 - We conduct interviews with potential joint venture partners and examine their operating policies and principles to see whether they are a good fit to us.
 - We conduct legal and financial due diligence reviews.

Toll collection operations

Each of the Expressway JVs collects tolls by means of a closed system with computerised calculation of toll payments. When a non-ETC-equipped vehicle enters the expressway at a toll plaza, an encoded ticket (in the form of an IC card) will be issued at the entry gate of the toll plaza. The Expressway JVs have installed automatic ticketing systems in some of the expressways to improve efficiency and reduce the labour needs. When manually collected, the driver is required to pay the toll charge upon exiting the expressway. Alternatively, when an ETC-equipped vehicle enters the expressway at a toll plaza, the relevant information is automatically saved in the registered ETC card within the vehicle through wireless devices installed at the ETC toll stations. Upon exiting the expressway, toll charges will be deducted from the account associated with the ETC card.

The Expressway JVs closely monitor the collection of tolls and endeavour to minimise fraud and pilfering. The computer systems enable accurate records of traffic information (including the time of travel, plate numbers and types of vehicles entering/exiting each toll plaza) and amount of tolls received, thereby assisting in reducing the possibility of fraud. As part of the toll collection procedures, data analysts at the toll plazas reconcile cash receipts collected by each toll collector during his or her shift against the computer's records every day. Any shortfall in cash receipts is required to be made up by the toll collector. Daily cash receipt reports are generated by the computer to record the cash receipts of that day and the details of the bank deposit slips are then reconciled with the daily cash receipt report to ensure the cash receipts have been properly deposited into the bank. In addition to regular reconciliation, the Expressway JVs carry out periodic spot checks of each toll collector. The toll booths and toll plazas are generally equipped with closed circuit television cameras and monitoring systems to monitor traffic and toll collections. Pictures of each vehicle passing through the station are captured and retained according to our internal policy. These video recordings are retrievable from internal computer networks by supervisors or management staff for systematic investigations of any losses of tolls. Furthermore, the Expressway JVs conduct routine inspections and maintenance on their equipment and have put in place back up systems and other remedial measures to ensure that the malfunctioning of these computer systems occurs infrequently. However, in the past, there were incidents of discrepancies of certain amounts identified between the Expressway JV's system and that of third party operators. We have helped the Expressway JVs take measures to address and to reduce the occurrence of such discrepancies. Nevertheless, there can be no assurance that such

discrepancies will not occur in the future. See “*Risk Factors—Risks Relating to Our Business and Operations—Toll receipts may be affected by the integrity of the toll collection system*” for more details.

The cash toll receipts collected from the manual toll booths are deposited in the Expressway JVs’ accounts followed by a transfer, within a specified time period, to the accounts managed by the regional toll network settlement centre. The toll receipts collected from the ETC toll stations are deposited directly into the specific accounts managed by the same authority. The computers at the relevant toll plazas record all transactions and transmit the information to the regional toll network settlement centre. Using the transactional records sent by the relevant Expressway JV as well as those sent by other expressway operators in the same network, the regional toll network settlement centre calculates and allocates the toll receipts to each expressway operator within the same network. The funds are then disbursed to the Expressway JVs’ accounts. The applicable administrative fees for the regional toll network settlement centre are either deducted from the disbursements or paid annually by the Expressways JVs. To facilitate accurate toll receipt allocations, the Expressway JVs independently calculate their toll receipt allocations and verify the results against those calculated by the regional toll network settlement centre.

Pursuant to government regulations, a toll-free “green passage” is available to trucks that carry agricultural products on all of the expressways. The Expressway JVs deploy various high-tech methods, including portable inspection cameras, radiation imaging systems, specialised software as well as big-data analysis, to conduct “green passage” inspections to determine whether the trucks qualify for the toll exemption. We believe the various methods deployed by the Expressway JVs have helped improve inspection efficiencies while at the same time reducing the number of trucks abusing such toll exemption policy and improving toll collection rates.

Road maintenance

Each of the Expressway JVs is responsible for the maintenance and repair of its expressway throughout the operating concession period. Costs related to routine maintenance and minor repairs are funded through the relevant Expressway JVs’ regular working capital; costs related to major repairs may be funded through loans from the relevant Expressway JV’s partners or bank loans in addition to the Expressway JVs’ own funds. Maintenance is carried out to maintain the expressways at a satisfactory level. Maintenance of roads and other facilities falls into the following three main categories:

- **Routine maintenance:** generally includes inspections of the road conditions, minor road pavement repairs, emergency repairs, replacement of damaged road equipment, cleansing of carriageways, culverts and drains, landscaping and building maintenance.
- **Intermediate repairs:** generally include targeted repair works in specific areas of the expressway with general defects or partial or general damages to restore the road conditions as preventive measures.
- **Major repairs:** include substantial repair of damaged road pavement or rectification of major structural defects or failures of works such as drainage systems or embankments or other major upgrade works.

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Each of the Expressway JVs undertakes an annual budgeting process covering anticipated operating expenses, repair and maintenance costs and any other capital expenditure for the year in question. We have always been closely involved in the preparation and subsequent monitoring of the operating expenditures, which are required to be approved by the board of directors of each of the Expressway JVs. During the Track Record Period, there have been no incidences of material budget overruns or material unforeseen capital expenditure requirements.

For the years ended 31 December 2014, 2015 and 2016, the expenses incurred by the Expressway JVs for routine maintenance and minor repairs represented approximately 3.4%, 5.5% and 4.4% of the aggregate toll revenue (net of business tax or value-added tax) of such Expressway JVs for the same periods, respectively; costs related to major repairs incurred by the Expressway JVs represented approximately 10.5%, 5.8% and 0.9% of the aggregate toll revenue (net of business tax or value-added tax) of such Expressway JVs for the same periods, respectively. In order to improve the quality of the maintenance services for the Expressways and to reduce costs, maintenance contractors (especially in relation to the provision of major repair works) are selected through an open or invited tender process.

All of the Expressway JVs focus on preventive maintenance of the expressways, which we believe enables the Expressway JVs to maintain the expressways at a satisfactory level with reduced overall maintenance costs throughout their full lifecycle. It also lessens the need for major repairs and the resulting service suspension. For example, Baojin Expressway JV adopts instant repair techniques to the minor cracks detected on the road surface to prevent rain water from seeping into the road foundation; it also regularly conducts water spraying onto the road surface in the summer to cool down the road surface in order to avoid softening of the road pavement and to minimise the occurrence of ruts on the pavement. Changyi Expressway JV has implemented the Highway Maintenance Production Management System (“HMPMS”), which utilises the Internet, geographic information system, global positioning system, and 3G mobile network to streamline the process of routine maintenance.

Since Longcheng and Machao Expressways are relatively new, neither major nor intermediate repair has taken place on these expressways. Baojin and Tangjin Expressways have undergone an intermediate repair in 2013 and 2014, respectively. Changyi Expressway has undergone a major repair in 2011 and 2012. See “*The Expressway Projects—Major repairs and improvements*” for more details.

Traffic management

We believe that adopting effective traffic management, optimising the toll collection process and facilitating convenient, fast and safe transit are key to maintaining the expressways as prime routes of choice, particularly having regard to the expected increase in traffic volume. Our operational strategies mainly focus on the optimisation of the toll collection process and improvement of the Expressway JVs’ responses under different scenarios.

We have implemented a number of strategies aimed at optimising the toll collection process and reducing the waiting period at the toll plaza. Hardware-wise, all of the expressway entrances and exits are equipped with ETC lanes. Automatic ticketing systems were installed in some of the toll lanes to reduce toll ticket issuance time. Tangjin and Baojin

Expressways adopt different technologies to speed up “green passage” inspections that have provided truck drivers with convenience. At the same time, we also strive to improve the customer experience when they pass through the tolls. The Expressway JVs have adopted standardised operational procedures. Machao Expressway, in particular, has developed simulation training to improve the staff’s performance in toll collection. We believe that these strategies are effective in reducing the error rate of the manual toll collection as well as increasing the operational efficiency of the toll lanes, thereby improving the Expressway JVs’ overall competitiveness.

We have also implemented a number of strategies to improve the Expressway JVs’ responses under different scenarios. All of the expressways are equipped with comprehensive monitoring systems where surveillance video cameras are placed along the expressways. In particular, Tangjin Expressway is equipped with, and Changyi Expressway is in the process of finalising the installation of, high-resolution digital surveillance video cameras that allow videos to be streamed on a mobile device in real time, enabling car accidents and other traffic disruptions to be dealt with more swiftly. The Expressway JVs have emergency response plans in place for adverse weather conditions, natural disasters, traffic accidents and other events. Equipment, personnel and other resources are also available to respond to these situations. The Expressway JVs also maintain a high level of coordination with the local government agencies. For example, through coordination with highway patrol officers and Road Administration Bureau, police vehicles are used to direct vehicles to pass through Tangjin Expressway under adverse weather conditions in an organised and safe manner.

The Expressway JVs closely monitor traffic volume and flow along the expressways. Interchanges, toll plazas and the expressways will be upgraded if necessary to alleviate congestion and/or provide better inter-connection with local roads and the regional network as they develop. Recent examples include the addition of toll lanes at a toll plaza on Baojin Expressway.

See “*The Expressway Projects—Traffic management*” for more details.

Toll rates and revenue

The revenue of the Expressway JVs primarily represents their toll revenue derived from the operations of expressways. Longcheng Expressway JV and Machao Expressway JV also derive part of their revenue from the lease of certain facilities at the service plazas on the expressways to third parties. In addition, some Expressway JVs receive income from providing advertising services. Currently, toll rates are generally in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore generally dependent on traffic volume by vehicle categories (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

Toll rates may be proposed by operators of, and investors in, the expressway and are required to be approved by the relevant provincial-level government authorities. Therefore, the Expressway JVs (through the guidance of their investors such as the Group) may propose or apply for rate changes. Factors taken into account by the government authorities when approving the toll rates can include toll rates of comparable toll roads and expressways in the

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same region, prevailing inflation and interest rates, traffic flow and the affordability to users. See *“Risk factors—Risks Relating to Our Business and Operations—The Group operates in an industry with considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the Expressway JVs, which could materially and adversely affect our business, results of operations and financial condition”*.

MAJOR SUPPLIERS AND CUSTOMERS

Major suppliers

The Expressway JVs contract out maintenance-related work to maintenance companies through a competitive tender process. Each Expressway JV maintains a list of qualified contractors for different types of work and selects maintenance contractors by taking into account various factors including their qualifications, financial strength, experience with similar projects, reputation for reliability, quality and safety, price quotations and the technical and contractual proposals put forward.

The quality and timeliness of the maintenance are warranted by the contractors. Generally, the contractors are responsible for any quality issues and complaints in relation to maintenance-related work and liable for defects during the defects liability period. A defects liability period is typically a fixed period of time after a project has been completed during which the contractor has the responsibility to rectify any defects identified.

During the Track Record Period, the Expressway JVs settled their payments to suppliers mainly by bank transfers and cheques. Generally, the Expressway JVs pay their respective contractors upon satisfactory completion of work and withhold a certain percentage of the total contract price until after the agreed defects liability period expires.

For the years ended 31 December 2014, 2015 and 2016, purchases attributable to the Expressway JVs' five largest suppliers amounted to approximately 62.8%, 34.7% and 35.0%, respectively, of their total purchases in aggregate; during the same period, the total purchases attributable to the Expressway JVs' largest supplier accounted for approximately 27.8%, 16.5% and 12.0% of their total purchases in aggregate, respectively.

The Expressway JVs' five largest suppliers for 2016 were all road repair and maintenance contractors.

The five largest suppliers of the Expressway JVs, through which we operate our business, are Independent Third Parties and to the best knowledge and belief of the Directors, none of the Directors or their associates or any Shareholders beneficially own more than 5% of our issued share capital has any interest in any of the five largest suppliers of the Group during the Track Record Period.

Major customers

Given the nature of our expressway business, the Expressway JVs, through which we operate our business, did not have any single customer that contributed more than 5% to the Company's revenue, or that was otherwise material to the Group's business, during the Track Record Period. Accordingly, none of the Group's major customers is also a major supplier.

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COMPETITION

The expressways we have interests in face competition from (i) existing or alternative routes of comparable quality to our roads and bridges and (ii) alternative modes of transportation, which may impose lower or no tolls or provide more direct routes. Such competition may affect negatively the profitability of an expressway.

Several of our existing expressway projects have directly competing routes. We prefer to invest in projects where there are no existing alternative routes, but there can be no assurance that alternate routes that are toll-free or impose lower tolls will not be constructed or developed, or that alternate means of transport competing with the existing expressways will not be constructed or established in the future. See “*Risk Factors—Risks Relating to Our Business and Operations—Our profitability may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices*”.

The following table summarises the roads and railways that are expected to become operational in the next five years that may compete with the expressway projects we have interests in:

Expressway	Potential competing road and railways (expected year of operation)	Potential Impact
Baojin Expressway	<ul style="list-style-type: none"> • S70 Beijing New Airport North Line Expressway Zhuozhou Section and Langfang Section (2019) • S65 Beijing New Airport South Exit Expressway (2019) • S72 Tangshan-Langfang Expressway Langfang Section (2019) • S31 Taihangshan Expressway Laiqu Section (2019) • G0211 Tianjin-Shijiazhuang Expressway (2021) 	Possible diversion of traffic
Tangjin Expressway	<ul style="list-style-type: none"> • S51 Qian'an City-Caofeidian Expressway (2018) 	Possible diversion of traffic
Changyi Expressway	<ul style="list-style-type: none"> • Yiyang-Loudi Expressway (2017) • Changsha-Yiyang Expressway Parallel Line (2019) • Yiyang-Changde Expressway Parallel Line (2020) • Chongqing-Changsha-Xiamen High Speed Rail (2021) 	Possible diversion of traffic
Longcheng Expressway	<ul style="list-style-type: none"> • No planned construction of additional material competing road 	N/A
Machao Expressway	<ul style="list-style-type: none"> • G42S Beiyangjiang Expressway Chaohu to Wuwei Section (2018) • S11 Wuhu Yangtze Highway Second Bridge (2018) • S05 Ning Xuan Hang Expressway Li Bridge to Xuan Cheng Section (2018) 	Possible diversion of traffic

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See “*The Expressway Projects—Competition—Existing and potential competing roads*” for more details.

We undertake due diligence before we decide to invest in a project, during which process the impact of the existing and known potential competing roads (if any) will be taken into account. We believe that while some of our expressway projects have existing competing roads, the expressways possess significant competitive advantages over the competitors. See “*The Expressway Projects—Competition—Existing and potential competing roads*” for more details. All of our projects in the PRC are undertaken by means of joint ventures with entities under the auspices of local government authorities, and we believe these arrangements minimise the risk that these local authorities will approve the construction of alternative routes to compete directly with our projects in which they already have interests. In addition, some of the Expressway JV Contracts contain provisions that require the Expressway JV Partner to assist us in getting the first right to participate in operating and managing the competing routes.

EMPLOYEES

As of 31 December 2014, 2015 and 2016, we had 74, 65 and 59 employees (excluding the staff of the Expressway JVs), respectively. The following table sets out the breakdown of the number of employees of the Group classified according to their business functions as at 31 December 2016:

	<u>Number of employees</u>
Senior Management	12
Finance and Accounting	13
Engineering and Maintenance	8
Operations and Toll Collection	8
Administration and Human Resources	10
Inspection, Monitoring and E&M	8
Total	<u>59</u>

The following table sets out the breakdown of the number of employees of the Expressway JVs (excluding secondees from our Group) classified according to their business functions as at 31 December 2016:

	<u>Number of employees</u>
Senior Management	16
Finance and Accounting	21
Engineering and Maintenance	75
Operations and Toll Collection	1,224
Administration and Human Resources	119
Inspection, Monitoring and E&M	132
Others	71
Total	<u>1,658</u>

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The following table sets out the breakdown of the number of employees of the Group classified by regions as at 31 December 2016:

	<u>Number of employees</u>
PRC	
Shenzhen Branch	17
Expressway JV Sites	<u>32</u>
	49
Hong Kong	<u>10</u>
Total	<u><u>59</u></u>

The following table sets out the breakdown of the number of employees of the Expressway JVs (excluding secondees from our Group) classified by regions as at 31 December 2016:

	<u>Number of employees</u>
PRC	
Shenzhen Branch	—
Expressway JV Sites	<u>1,658</u>
	1,658
Hong Kong	<u>—</u>
Total	<u><u>1,658</u></u>

As of the Latest Practicable Date, neither the Group nor the Expressway JVs had experienced any material change in the numbers of employees as compared to those of 31 December 2016.

We place great emphasis on the training and development of our employees. Employees are encouraged to take part in internal and external training courses. Tailor-made training programmes are implemented for certain employees. We also have a secondment programme in which we regularly second our employees from our head office to the Expressway JV sites for them to obtain a thorough understanding of the daily operations of the expressways. Furthermore, in order to achieve high operational efficiencies, we have worked with our Expressway JV Partners to implement a number of strategies in organising the Expressway JVs' management teams: (i) we employ a mixture of PRC and Hong Kong professionals to work at each project location; (ii) we employ retired government officials who have significant toll road and expressway experience to work as the Expressway JVs' general managers and consultants, providing invaluable industry expertise and guidance; and (iii) we aim to bring employees who have years of experience and those who have the relevant technical background to the Expressway JVs. Furthermore, as our head office in Hong Kong develops and formulates the corporate vision and strategic policies for the Expressway JVs, our staff will implement and communicate such vision and policies at the local level to ensure efficient control and supervision of each Expressway JV.

During the Track Record Period, we or the Expressway JVs have not experienced any strikes or other disruptions due to labour disputes. As of the Latest Practicable Date, we did not have a labour union, but all Expressway JVs had established their labour unions in accordance with the PRC law. We believe all of our employees as well as those of the

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Expressway JVs are treated fairly and in accordance with the law. We pay great attention to the rights and interests of our employees and maintain good relationships with them.

Our sustainable growth and development depend on the performance and loyalty of our employees. Competitive remuneration is offered to employees and reviewed individually on an annual basis reflecting each employee's work performance, contributions and market developments. Other employee benefits include but are not limited to comprehensive medical, life and disability insurance coverage, and retirement schemes. As of 31 December 2016, our employees have been with our Group for an average of 13.5 years. A Share Option Scheme will be adopted with effect from Listing. See "*Appendix VI—Statutory and General Information—D. Share Option Scheme*" for more details.

SOCIAL SECURITY SCHEMES

Pursuant to the PRC rules and regulations and the existing policy requirements of the PRC local government, we participate in various social security schemes for our PRC employees, including a pension scheme, a medical insurance scheme, an employment insurance scheme, a work-related personal injury insurance scheme and a maternity insurance scheme. In addition, we, through the Expressway JVs, make contributions to the housing provident funds of our employees in the PRC. The total amount of contributions we made for such social security schemes for the years ended 31 December 2014, 2015 and 2016 were approximately HK\$3.2 million, HK\$3.3 million and HK\$2.9 million, respectively. Such social security schemes and housing provident funds are organised by the relevant PRC local government and monthly contributions to these schemes are calculated on certain percentage designated by the local government. The PRC local government is responsible for the planning, management and supervision of the schemes, including collecting and investing the contributions and making the payments due under the schemes.

As advised by our PRC legal adviser, we have been in compliance in all material respects with applicable statutory requirements on the social security schemes and the housing provident fund in the PRC during the Track Record Period.

INSURANCE

Our policy is to ensure that the Expressway JVs obtain property insurance and third party liability insurance policies that are customary in the industry. In addition to statutorily required insurances, we purchase other insurances, where considered necessary, to cover the major risks identified by our Group. We maintain mandatory vehicle accident insurance for vehicles in accordance with the relevant PRC laws and regulations. To the extent any Expressway JV did not purchase sufficient insurance policies, we have also taken out add-on all-risk insurance coverage to cover our proportion of loss in the Expressway JV that is not covered by the primary insurance policy maintained by the Expressway JV. The relevant Expressway JV Partners have provided a written consent to renounce the rights to any recovery of losses under the add-on policies we purchased. We consider our insurance coverage to conform to insurance programmes customary for operators of expressways within the PRC.

Our Group's and the Expressway JVs' insurance policies are reviewed from time to time by an insurance task force consisting of senior management of our Group. During the

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Track Record Period, there was no significant or unusual excess or deductible amounts under these policies and the Directors are of the view that the insurance coverage under these policies is customary for our industry. However, there may be certain risks for which the Group and the Expressway JVs are not insured and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. See “*Risk Factors—Risks Relating to Our Business and Operations—We are uncertain whether we have maintained or will continue to maintain sufficient insurance coverage*”.

SALES AND MARKETING

The great majority of the sales of the Expressway JVs are conducted through toll collections when a vehicle passes through the expressways we have interests in. The marketing strategies primarily include erecting more direction boards in nearby connecting roads that show clear directions to the expressways, handing out travel route guidance cards along the connecting roads, leveraging e-commerce channels to promote the expressways via mobile mapping applications and providing traffic news via radio to promote the expressways.

LAND USE RIGHTS AND PROPERTY INTERESTS

Land use rights

Each of the Expressway JVs is entitled to use the relevant land it needs. However, while the land authorities have approved the use of the relevant land by the expressway, generally, the land use rights certificates are issued in the name of the relevant Expressway JV Partner of the Expressway JVs or its supervisory government transport authority or associate (the “**Land Use Rights Holder**”) that is responsible for the construction of the expressway. They are not transferred to the relevant Expressway JVs (other than Longcheng Expressway, the land use rights certificates of which are issued in the name of Longcheng Expressway JV). According to “Rules related to Toll Road Right Transfer (收費公路權益轉讓辦法)” that came into effect in 2008 and its predecessor regulation, although the ownership of the physical toll road and ancillary facilities continues to belong to the government, its operating rights may be transferred to a third party. See “*Regulatory Overview*”. Accordingly, all of the Expressway JV Contracts state that the Expressway JVs possess the right to operate their respective expressway during the Expressway JV concession period. In addition, the Expressway JV Partner is required under the relevant Expressway JV Contract to provide the land use rights during the Expressway JV concession period. The respective Land Use Rights Holder has provided a written undertaking confirming the relevant Expressway JV’s unequivocal right to use the relevant land during the term of the Expressway JV. We have been advised by our PRC legal adviser that the land use rights of the Expressway JVs under their respective Expressway JV Contracts and the written undertakings from the respective Land Use Rights Holder are all valid and enforceable. At the end of the concession period, in line with the applicable regulatory requirements and the terms of the Expressway JV Contracts, the expressways and their operating rights will revert to the relevant Expressway JV Partner or the relevant government transport authority at nil consideration.

Land used by Machao Expressway JV

As of the Latest Practicable Date, the Machao Expressway JV Partner has yet to obtain a land use rights certificate for a parcel of land as state granted land, the total site area

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of which is 1,333.3 square meters, representing approximately 0.05% of total land of Machao Expressway. Such land is leased to third parties (who are associates of the Machao Expressway JV Partner) for the operation of a petrol station and service station, respectively.

The PRC Ministry of Land and Resources and Anhui Provincial Government have granted approvals for such land to be used for the operation of Machao Expressway. Our PRC legal adviser confirmed that Machao Expressway JV has the legal right to use such land and lease it to third parties for the operation of a petrol station and a service station, respectively. Our PRC legal adviser has also confirmed that neither Machao Expressway JV nor the Company is liable to any order or penalty from the relevant government authority or any claim from the lessees for using such land and leasing it to third parties pending the obtaining of the land use rights certificates. However, pursuant to the relevant PRC laws and regulations, pending the obtaining of the land use rights certificate, Machao Expressway JV or the Machao Expressway JV Partner cannot transfer, pledge or otherwise dispose of the state granted land or any of the buildings erected on such state granted land.

The Machao Expressway JV Partner has submitted the relevant application for obtaining the outstanding land use rights certificate. The land appraisal has been conducted and the area plan has been submitted to the county-level ministry of land and resources for their review and approval. The relevant authorities have indicated to the Machao Expressway JV that the area plan review session is currently expected to be scheduled to take place in July 2017. Under such schedule, if the area plan is approved, the relevant land use right certificate is expected to be granted around July to August 2017. Our PRC legal advisers are of the view that there is no legal impediment to obtaining it. Machao Expressway JV has been liaising with the relevant authorities to expedite the review and approval process. However, there is no assurance that such expedited process can be achieved.

On the basis that (i) the PRC Ministry of Land and Resources and Anhui Provincial Government have granted approvals for such land to be used for the operation of Machao Expressway; (ii) the Machao Expressway JV Partner has submitted the relevant application for obtaining the outstanding land use rights certificate; (iii) our PRC legal adviser has confirmed that Machao Expressway JV has the legal right to use such land and lease to third parties; and (iv) the land is leased to third parties for the operation of a petrol station and a service station, respectively and is not material to our business, the Company is of the view that the lack of the land use rights certificate will not materially and adversely impact the business operations of Machao Expressway.

Land owned by Longcheng Expressway JV

As of the Latest Practicable Date, Longcheng Expressway JV operates on seven parcels of land with an aggregate site area of approximately 5,492,550 square metres in the PRC. Longcheng Expressway JV has obtained land use rights certificates except in respect of three parcels of land with a total site area of 3,821,504 square meters, representing approximately 69.6% of the total land of Longcheng Expressway, of which two parcels of land are used as part of the expressway and one parcel of land is used as a service station. Longcheng Expressway JV has acquired such parcels of land by entering into a land acquisition agreement and a land grant agreement with the Ministry of Land and Resources of Taigu County, Qixian County and Jinzhong City. Our PRC legal adviser has confirmed that

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Longcheng Expressway JV has the legal right to use such land for the operation of Longcheng Expressway under the PRC law and the relevant Expressway JV Contract. Our PRC legal adviser has also confirmed that, pending the obtaining of the land use right certificates, the relevant government authority will not order Longcheng Expressway JV or the Company to (i) pay any fine or penalty; (ii) return such parcels of land; (iii) cease operation of the Longcheng Expressway; or (iv) vacate, demolish or forfeit the premises, buildings or facilities constructed on such parcels of land. However, pending the obtaining of the land use rights certificates, Longcheng Expressway JV cannot transfer, pledge or otherwise dispose of such land use rights in accordance with relevant PRC laws and regulations.

Longcheng Expressway JV has (i) paid all the consideration and fulfilled all the conditions as stipulated under the relevant land acquisition agreement and land grant agreement; and (ii) submitted the relevant application for obtaining the real estate certificates (which will replace land use rights certificate and building ownership certificate in accordance with the latest practice of the Ministry of Land and Resources of Taigu County, Qixian County and Jinzhong City). Our PRC legal adviser is of the view that there is no legal impediment to obtaining the remaining real estate certificates. The material steps to be taken include (i) the parcels to be surveyed by institutions recognised by the local authorities and (ii) the survey results to be verified by the Ministry of Land and Resources of Jinzhong City. The Longcheng Expressway JV has been informed by the ministry that there are a number of key public infrastructure and housing projects to be covered in 2017 and as a result, the ministry is not able to provide a concrete time estimate. However, the ministry indicated that, in the absence of unforeseen circumstances, the land survey is estimated to be completed around September 2017 and the verification is estimated to be completed around December 2017. Thus, Longcheng Expressway JV currently expects that the outstanding real estate certificates will be granted to it in the first half of 2018 at the earliest.

On the basis that (i) such parcels of land have been acquired pursuant to a land acquisition agreement and a land grant agreement between Longcheng Expressway JV and the Ministry of Land and Resources of Taigu County, Qixian County and Jinzhong City; (ii) Longcheng Expressway JV has submitted the relevant application for obtaining the real estate certificates; and (iii) our PRC legal adviser has confirmed that Longcheng Expressway JV has the legal right to use such land for the operation of Longcheng Expressway, the Company is of the view that the lack of land use rights certificates will not materially and adversely impact the business operations of Longcheng Expressway.

Buildings

As of the Latest Practicable Date, each of our Expressway JVs or the Expressway JV Partners has not obtained building ownership certificates for the ancillary buildings peripheral to the relevant expressways. These buildings are mainly used for service buildings, staff restaurants, and the like and are not material to our business. Among our Expressway JVs, Longcheng Expressway JV has submitted the relevant application for obtaining the real estate certificates (which will replace land use rights certificate and building ownership certificate in accordance with the latest practice of the Ministry of Land and Resources of Taigu County) for its ancillary buildings. Our PRC legal adviser is of the view that (i) there is no legal impediment to obtaining the remaining real estate certificates; and (ii) pending the obtaining of

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the real estate certificates, the relevant government authority will not order Longcheng Expressway JV or the Company to demolish or forfeit the ancillary buildings.

The construction of these ancillary buildings was part of the development plan of each of the relevant expressways which has been approved by the relevant transport departments. Our PRC legal adviser has confirmed that our Expressway JVs or the Expressway JV Partners have the legal right to use these ancillary buildings without obtaining the building ownership certificates, and neither the Expressway JVs nor the Company is liable to any order or penalty from the relevant government authority. However, pending the obtaining of building ownership certificates, each of the Expressway JVs or the Expressway JV Partners cannot transfer, pledge or otherwise dispose of any of the buildings in accordance with relevant PRC laws and regulations.

On the above basis, the Company is of the view that the lack of building ownership certificates for ancillary buildings peripheral to the relevant expressways will not materially and adversely impact the business operations of our expressways.

Leased Properties

As of the Latest Practicable Date, the Expressway JVs leased four properties as lessor in the PRC with an aggregate site area of approximately 9,368.3 square metres and leased one property as lessee in the PRC with an aggregate site area of approximately 7,351.7 square metres.

As of the Latest Practicable Date, the lease agreements of all of these leased properties had not been registered with the relevant Chinese governmental authorities. According to our PRC legal advisers, the relevant Chinese governmental authorities may require the Expressway JVs to apply for such registrations within a specified time. If the Expressway JVs fail to do so, we may be liable to a fine up to RMB10,000 per incident. As advised by our PRC legal adviser, failure to complete such registration will not affect the validity or enforceability of the relevant lease contracts or result in us being required to vacate the leased properties.

Following Listing, we will rent one property in Hong Kong, which is located at Suites 506-8, 5th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong with an aggregate GFA of approximately 5,616 square metres as our headquarters. In addition, 路勁企業管理顧問（深圳）有限公司 (Road King Enterprise Management Consultancy (Shenzhen) Company Limited) (“**Shenzhen Management Company**”), a wholly-owned subsidiary of our Company, will licence to RKL the use of 1,848.79 sq. m. of office space out of 1,986.79 sq. m. of office space currently leased by Shenzhen Management Company from an independent third party landlord. For further information, please see “*Connected Transactions—Continuing Connected Transactions Exempt From The Reporting, Annual Review, Announcement And The Independent Shareholders’ Approval Requirements—5. De minimis transaction with our Controlling Shareholder—Office Licence Agreement*”.

For additional measures that have been put in place to promote compliance with the relevant property-related laws and regulations, see “*Internal Control and Risk Management Policies—Enhanced Internal Controls*” for more details.

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RESEARCH AND DEVELOPMENT MATTERS

We have cooperated with the engineering departments at the Expressway JVs to conduct feasibility studies and review feasibility reports to evaluate the economic and technical viability of each proposed expressway project. We have also facilitated the development of various software and hardware systems at the Expressway JVs to improve our toll operation and traffic management. Baojin Expressway JV, for example, owns one registered utility model patent and one computer software copyright in relation to its “green passage” inspection system, and another computer software copyright in relation to its truck weight monitoring and management system. During the Track Record Period, the amount spent by the Group and the Expressway JVs on research and development was insignificant.

INTELLECTUAL PROPERTY

We conduct our business under various trademarks and domain names which we have registered or for which we are applying for registrations in the PRC and Hong Kong.

As of the Latest Practicable Date, we have registered 23 domain names and seven trade marks in Hong Kong and have applied for three trade marks in the PRC, which are material to our business. In addition, Baojin Expressway JV is applying for one patent and has registered two computer software copyrights; Tangjin Expressway JV has one trademark and one domain name. See “Appendix VI—Statutory and General Information—B. Further Information about our Business—2. Intellectual property rights”.

We are not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

HEALTH AND SAFETY

We are subject to the health and safety requirements in the jurisdictions in which we operate. We have internal policies and systems in place designed with a view to implementing and ensuring compliance with such requirements. We believe that we have been in material compliance with such requirements during the Track Record Period and up to the Latest Practicable Date. Our liability to our employees is covered by insurance, which we are required by law to have. We do not have an insurable interest in relation to the employees of our contractors. Our contractors are required by applicable laws to have insurance that covers their liabilities to their employees.

To provide a safe working environment for employees, risk assessments and maintenance of equipment are regularly performed. Our employees who are assigned to work on our Expressway JV project sites are required to observe additional safety guidelines. This is to ensure a high standard of occupational safety, protecting employees from occupational hazards.

In addition, the Expressway JVs are also committed to providing a safe environment for their employees. To this end, Baojin Expressway JV’s and Tangjin Expressway JVs’ health and safety management systems have been awarded the OHSAS 18001 Certification. The other three Expressway JVs also have internal health and safety policies. Typically, the health and safety policies of the Expressway JVs require each division to: (a)

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comply with all applicable health and safety laws and regulations in the relevant localities in which it operates; (b) make health and safety considerations an important element in the maintenance and repair, toll collection, engineering and other areas of the Expressway JVs' daily operations; (c) educate employees regarding their responsibilities for achieving the Expressway JVs' health and safety objectives; (d) provide appropriate job skills and safety training for their employees; and (e) communicate openly with employees on occupational health and safety issues. Each division has a system in place for recording and handling accidents. During the Track Record Period, neither the Group nor the Expressway JVs experienced any material occupational accident relating to its employees or contractors.

ENVIRONMENTAL MATTERS

Companies developing expressways in the PRC are subject to a number of environmental laws and regulations including the PRC Environment Protection Law, the PRC Law on Prevention and Control of Noise Pollution, the PRC Law on Environmental Impact Assessment, and the Administrative Regulations on Environmental Protection in relation to Construction Environment. See "*Regulatory Overview—Environmental Protection*" and "*Risk Factors—Risks Relating to Our Business and Operations—Our profitability may be affected by the existence and development of other competing means of transport, environmental regulations and fuel prices.*" for details of these environmental laws and regulations and the effect that it may have on our business.

After the law came into effect, the relevant Expressway JVs have submitted the relevant environmental impact study, report or environmental impact analysis table to the environmental authorities prior to commencement of construction of the expressway projects. The Expressway JVs have not experienced any problems in the completion checks conducted by the relevant environmental authorities upon handover of their expressways.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE MATTERS

Litigation, Claims and Arbitration

As of the Latest Practicable Date, no member of the Group or the Expressway JVs was engaged in any litigation, claim or arbitration of material importance nor, to the best of our knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any member of our Group or the Expressway JVs.

Compliance with Laws and Regulations

A summary of the key laws and regulations which are applicable to the operations of the Group and the Expressway JVs is set out in "*Regulatory Overview*". During the Track Record Period and up to the Latest Practicable Date, save as disclosed in "*—PRC Expressway Related Matters*" below and "*—Land Use Rights and Property Interests*", we and the Expressway JVs complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our or their business or financial condition taken as a whole.

Except as disclosed in "*—PRC Expressway Related Matters*" below, during the Track Record Period and up to the Latest Practicable Date, we and the Expressway JVs have

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obtained all material licences and permits necessary for the operation of our business in the jurisdictions in which we or they operate and such licences and permits are still valid and in force. Neither we nor they have experienced any refusal of the renewal applications of any material licences or permits necessary for the operation of our or their business. Further information on the material licences and permits necessary for the operation of our business is set out in “*Regulatory Overview*”.

PRC Expressway Related Matters

Legal and Regulatory Compliance

Due to historical limitations on foreign investments, each of Baojin Expressway, Tangjin Expressway and Changyi Expressway is operated through multiple joint venture enterprises, with a section of the expressway designated to each joint venture enterprise. The business scope of each joint venture enterprise as shown on the business licence issued by the AIC includes the operation of the relevant section of expressway. In the operation of the relevant expressways, these joint venture enterprises entrusted one of the joint venture enterprises at the relevant expressway to manage the entire expressway on behalf of the other joint venture enterprises.

In 2011, Baojin Expressway JV and Tangjin Expressway JV were notified by Hebei AIC that the entrusted joint venture enterprises of Baojin Expressway and Tangjin Expressway had operated beyond their business scope by operating the relevant expressway on behalf of the other joint venture enterprises. As a result, Hebei AIC imposed a fine of RMB100,000 on (i) the entrusted joint venture enterprise of Baojin Expressway JV and (ii) the entrusted joint venture enterprise of Tangjin Expressway JV, which have been paid.

Thereafter, the senior management (including the general managers) of the entrusted joint venture enterprises of Baojin Expressway JV and Tangjin Expressway JV have been engaging in discussions with the respective local AICs and other government authorities and were advised that there were procedural difficulties to rectify the situation through an amendment of the business scope. From our interviews (together with the Joint Sponsors) with the relevant government officials, we understand that (a) the government authorities were aware of the entrustment arrangements at the time the arrangement were made; (b) such arrangements are not required to be altered going forward; and (c) Hebei AIC and Hunan AIC do not intend taking any further action regarding the entrustment arrangements. Moreover, the joint venture enterprises have, subsequent to the fines being levied and paid, passed their annual AIC inspections and have not been subject to any further action by the local AICs regarding their arrangements. We have been advised by our PRC legal adviser that, pursuant to the Regulations on the Registration Administration of Companies (公司登記管理條例) promulgated by the State Council with effect on 1 March 2014 and its predecessor regulation, the local AICs are the competent authorities to advise on the entrustment arrangements which relate to the business scope of the relevant Expressway JVs.

Potential legal consequences under PRC law for operating beyond the business scope includes the revocation of the relevant licences, fines of up to RMB100,000 or other actions. There can be no assurance that the local AIC or other governmental authorities will not impose penalties or fines on, or take other actions in relation to, the relevant joint venture

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enterprises of Tangjin Expressway JV, Baojin Expressway JV or Changyi Expressway JV. See *“Risk Factors—Risks Relating to Our Business and Operations—Certain Expressway JVs have been operating outside the segment of the relevant expressway in which they were licenced, which could subject them to further fines or other penalties”*. Pursuant to the Administrative Provisions on Business Scope Registration for Enterprises (企業經營範圍登記管理規定) as amended in 2015, it does not constitute non-compliance if a PRC company operates beyond its registered business scope so long as the additional business does not require pre-approval from other government authorities. We have been advised by our PRC legal adviser that, given that (i) for each Expressway JV, the nature of the entrusted joint venture enterprises’ business scope is identical to that of the other expressway joint venture enterprises; (ii) the arrangements are made based on commercially reasonable considerations; and (iii) based on the confirmation received in interviews with the relevant government authorities, the entrustment arrangements will not cause (a) the business licenses of the entrusted joint venture enterprises to be revoked, and (b) further penalties or fines to be imposed by the local AICs or other government agencies on the same enterprises.

We have been further advised by our PRC legal adviser that the joint venture enterprises of Baojin, Tangjin and Changyi Expressways have obtained all permits and approvals from the government authorities necessary for their businesses and have complied with the applicable PRC laws and regulations in all material respects.

Pursuant to the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-Invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by the MOFCOM on 8 October 2016, where a sino-foreign cooperative joint venture entrusts its operations and management to other parties, the sino-foreign cooperative joint venture shall make a record filing with MOFCOM. Thus, Baojin Expressway JV, Tangjin Expressway JV and Changyi Expressway JV are required to file their registrations with MOFCOM regarding the entrustment arrangements. These Expressway JVs made the required filings recently. Based on the applicable PRC law and the interviews with relevant government authorities, our PRC legal adviser is of the opinion that the Expressway JVs’ historical non-registration under PRC law will not cause the joint venture enterprises to be penalised or fined by their respective local MOFCOMs.

Based on the foregoing, our PRC legal adviser is of the opinion that the entrustment arrangements comply with the latest applicable laws and regulations in the PRC. For additional measures that are put in place to prevent the recurrence of the non-compliance with the relevant PRC laws and regulations when conducting future acquisitions, see *“Internal Control and Risk Management Policies—Enhanced internal control”* for further details.

Based on the foregoing, we do not believe that the above issues relating to the business scope would have a material and adverse effect on our business, financial condition or results of operations.

See also *“Risk Factors—Risks Relating to Our Business and Operations—The Group operates in an industry with considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the*

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Expressway JVs, which could materially and adversely affect our business, results of operations and financial condition” regarding the period of the operating concession right of Baojin Expressway JV.

INTERNAL CONTROL AND RISK MANAGEMENT POLICIES

Risk Management Policies and Procedures

We and the Expressway JVs have established a set of comprehensive risk management policies and measures to identify, evaluate and manage risks arising from our and their operations. The risk management is divided into the following three layers:

- Expressway JVs: our Expressway JVs have formulated rules covering the entire risk management process from risk identification, to formulation and implementation of risk management solutions. The Expressway JVs manage their risks in operation through insurance, outsourcing and internal control. In the event the risks materialise, the Expressway JVs also have in place relevant emergency response plans and reporting policies to inform and involve Group-level risk control;
- Project management and development department and Shenzhen branch: our project management and development department, together with our Shenzhen branch, are responsible for establishing basic risk management procedures connecting different levels of the Group to facilitate timely, accurate and complete information exchange amongst different levels of the Group. They assist the Expressway JVs with formulating standardised risk management rules, regularly inspect their risk management and compliance in project operations and provide improvement suggestions. They also have a risk data management system to keep track of the Group’s material contracts, data and information and monitor important procedures such as disclosure and materialised risk alerts; and
- Decision makers of the Group and the internal audit department: the decision makers of our Group control risks through making important investment and operation decisions in accordance with the Group’s review and approval standards. Our internal audit department regularly monitors the compliance by our employees with internal rules and manuals to ensure that different levels of the Group comply with the relevant regulatory requirements and applicable laws. The internal audit department also oversees and evaluates the risk management at the joint venture level through the data and reports provided by the Shenzhen branch and regular site inspections.

Enhanced Internal Controls

The table below sets forth certain property, financing and other legal matters, which we do not consider to be material or systemic, relating to the Expressway JVs during the Track Record Period as well as the related enhanced internal control measures taken by the Group to avoid re-occurrence.

Enhanced Internal Control Relating to Property, Financing and Other Legal Matters

The table below sets forth the matters relating to the Expressway JVs during the Track Record Period as well as the related enhanced internal control measures taken by the Group to ensure that there is an adequate system in place for compliance and risk management at the Group level:

<u>Title Defects</u>	<u>Internal Control Measures</u>
<p>Certain entrusted joint venture enterprises of Baojin Expressway JV, Tangjin Expressway JV and Changyi Expressway JV have been operating beyond their business scope by operating on behalf of the other joint venture enterprises of the same Expressway JV. See “—<i>PRC Expressway Related Matters—Legal and regulatory compliance</i>” for more details.</p> <p>Machao Expressway JV has not obtained the land use rights certificate for certain parcels of land which are leased to third parties for the operation of a petrol station and service station, respectively. The Expressway JVs and the Expressway JV Partners have not obtained the building ownership certificates for the ancillary buildings peripheral to the relevant expressways. See “—<i>Land Use Rights and Property Interests</i>” for more details.</p>	<p>1. We have further elaborated on our internal policy requirements to check compliance to require any future acquisition proposal to include specific reports on the following specific areas:</p> <ul style="list-style-type: none"> a. In respect of concession rights, land use rights and building ownership: <ul style="list-style-type: none"> i. check the validity of and the title to concession rights, ancillary land and buildings being acquired or to be contributed to the new joint venture; ii. check the registration of grant of rights, title documentation and/or status of application of relevant grant of rights or titles; and iii. in respect of any identified deficiencies, assess their implications and the proposals to address such deficiencies. b. In respect of regulatory compliance: <ul style="list-style-type: none"> i. check the status of registration with the AICs and other regulatory filings, consents, permits and approvals required for the establishment, valid existence and lawful operation of the new joint venture (based on a specific checklist that is tailored for the acquisition); ii. in respect of any identified deficiencies, assess their implications and proposals to address such deficiencies

Internal Control Measures

2. We will ensure that such specific compliance report is included in the information package that is presented to the Investment Committee for its consideration of any acquisition proposal and (if such proposal is recommended by the Investment Committee) to the Board for its consideration.
3. We have revised our internal policy to include the following enhanced measures with regard to our future expressway acquisitions:
 - a. The local teams are required to maintain and update registers of the rights or buildings or regulatory approvals above and follow up on any post-completion undertakings or obligations;
 - b. The local teams are required to report, at least quarterly, to the Company Secretarial and Legal Division, or make exception reporting when the deficiencies are material, as to whether the deficiencies have been identified and rectified; and
 - c. The Company Secretarial and Legal Division are required to report on such matters to our Chief Financial Officer, who reports to the Board for escalation if material and to the Audit Committee as part of usual risk management reporting.

Financing

- Machao Expressway JV did not comply with certain loan covenants during the Track Record Period. See “*Financial Information—Indebtedness—Indebtedness of the Expressway JVs*” for more details.
1. We have supplemented our internal policy such that for all new loans and amendments of loan covenants, the relevant business unit must report the loan covenants (with initial compliance analysis) and other commercial loan terms together with the loan agreement for our management’s approval.
 2. After a loan is signed up, quarterly reporting by the relevant business unit on covenant compliance to the Company Secretarial and Legal Division and exception reporting similar to those set forth in paragraphs 3(b) and 3(c) above is required.

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In addition, in order to ensure the rigorous implementation of our risk management and internal control policies, we have also adopted the additional measures as set out below:

- We have adopted enhanced procedures and hired relevant qualified financial reporting personnel for our review of the Expressway JVs' management accounts and their conversions to our adopted accounting standards for reporting by the Company, including carrying out a more frequent (semi-annual) review of the Expressway JVs' compliance with the enhanced procedures for an initial period.
- We will continue to provide the relevant staff at the Expressway JV level and the Group level with training at least annually on compliance and reporting and, in the first year, on the issues being addressed above.
- The implementation of the risk management and internal control policies will be subject to spot checking by our Company Secretarial and Legal Division and the internal audit department.

We have engaged an independent internal control consultant to perform an internal control review and provide recommendations for our Group based on an agreed scope with the Company and the Joint Sponsors. The internal control consultant also reviewed and concurred with the aforesaid remedial measures taken by the Company to address these matters and the additional measures put in place to address the matters mentioned above.

CORPORATE SOCIAL RESPONSIBILITY

We are a responsible member of the communities in which we operate and we believe that our corporate social responsibility efforts reflect our core values. In addition to fulfilling corporate responsibility in day-to-day operations, we have also been proactively participating in social welfare activities.

We believe in giving back to local communities and supporting charitable causes. Over the years, our Group, as a subsidiary of RKL, has made donations to the charitable organisations, and have received various awards from the Community Chest of Hong Kong. Our Group as a subsidiary of RKL, has also offered various scholarship programmes to and sponsored academic activities in a number of universities in the PRC and Hong Kong, as well as organised interactive activities between students and enterprises. For instance, in 2005, our Group and RKL launched the “Peking University China Finance 40 Forum Road King Scholarship” (北京大學中國金融四十人路勁獎學金班) (formerly known as “Scholarship Programme on Finance” (北京大學21世紀路勁財經獎學金班)), which aims to nurture young talents for the financial industry and the society. The scholarship programme is co-operated by the National School of Development of Peking University and China Finance Academic Think Tank—China Finance 40 Forum, and has been successfully running for more than 10 years.

We will continue to undertake our social responsibility and participate in more meaningful welfare activities.

THE EXPRESSWAY PROJECTS

NATIONAL EXPRESSWAY G18 BAODING-TIANJIN EXPRESSWAY (“BAOJIN EXPRESSWAY”)

The Group has a 40% equity interest in Baojin Expressway and currently receives 40% of the cash distributions generated from this expressway. The Group's interest in Baojin Expressway is held through ten joint venture enterprises in partnership with the Baojin Expressway JV Partner. Baojin Expressway is fully operational and has been collecting tolls since 1998. For a brief description of Baojin Expressway, see “*Business—The Five Existing Expressway Projects—Baojin Expressway*”.

The Road



THE EXPRESSWAY PROJECTS

Key Data

Route	National Expressway G18 Baoding-Tianjin Expressway
Total Length	105 km
Classification	Expressway
Number of lanes	4 lanes
Design speed	120 km per hour
Design capacity	56,300 vehicles per day
Toll system	Closed system
Number of toll plazas	7
Number of interchanges	3
Average daily gross toll revenue in	
2016	RMB1.9 million
Average daily traffic (vehicles) in	
2016	56,258 vehicles
Of passenger vehicles	37,693
Of trucks	18,565
Expressway JV partner	Hebei Provincial Expressway Development Company
Expressway JV concession period	30 years
Expressway JV expiry date	September 2033
Concession period expiry date	September 2033
The Group's total investment	RMB960.0 million
The Group's equity interest	40%
Current profit/cash sharing ratio to the	
Group	40%
Cash distributions received by the	
Group in 2014	HK\$224.5 million
Cash distributions received by the	
Group in 2015	HK\$148.6 million
Cash distributions received by the	
Group in 2016	HK\$200.9 million
Status	Fully operational, collecting tolls

	<u>2014</u>	<u>2015</u>	<u>2016</u>
MQI	94.5	95.5	93.2

Destinations and Major Connections

- **Tianjin:** Tianjin is one of China's four major municipalities and a central city of China. The industries driving its economy comprise high-end equipment, information technology, aerospace, environmental-friendly and new-energy vehicles, new materials production, bio-medicine, new energy, energy efficiency technology, petrochemical and metallurgy.
- **Baoding:** Baojin Expressway reaches Baoding, a major city close to Beijing whose key economic drivers include the automobile industry, alternative energy production, textile and construction materials production and tourism.
- **Ports:** Baojin Expressway connects to ports including Caofeidian Port, Jingtang Port, Tianjin Port and Huanghua Port.
- **Tourist attractions:** The nearby tourist attractions include Baiyang Lake, Langyashan, and Baishishan.

THE EXPRESSWAY PROJECTS

- **Beijing-Shijiazhuang Expressway and Shijiazhuang-Anyang Expressway:** These two expressways are connected to Baojin Expressway. The overall road conditions on these expressways were improved and their traffic volume increased as a result of reconstruction and expansion works in 2014.
- **G18 Rongcheng-Wuhai Expressway:** Baojin Expressway is a component of the G18 Rongcheng-Wuhai Expressway, which provides a major freight transportation corridor linking the north-eastern provinces to the western provinces through Tianjin, Hebei, Henan and Shanxi.
- **Baoding-Fuping Expressway:** Baoding-Fuping Expressway, an artery in the province's expressway network, has been fully operational since 2010 and diverts traffic (especially coal-carrying trucks) going from Shanxi region to Tianjin or the northeastern provinces of the country to Baojin Expressway.

Interchanges

Baojin Expressway currently has three interchanges which connect Baojin Expressway to three major arterial roads, namely Beijing-Shijiazhuang Expressway, Daqing-Guangzhou Expressway and Langfang-Cangzhou Expressway, making it accessible to traffic from other highly populous and industrial regions in Northern China.

Joint Venture and Project Management Arrangements

The Baojin Expressway project was established by the Group as a joint venture in partnership with Hebei Provincial Expressway Development Company as the Group's PRC partner, beginning in September 2003 and expiring in September 2033. The term of Baojin Expressway JV may be extended with both the unanimous approval of all directors of the Expressway JV and approvals of the relevant government authorities. The Group has a 40% equity interest in Baojin Expressway JV and currently receives 40% of the cash distributions generated from this expressway, while the Baojin Expressway JV Partner has a 60% equity interest and currently receives 60% of the cash distributions. The Baojin Expressway JV Partner is registered in Hebei.

Under the Baojin Expressway JV Contract, the board of directors of Baojin Expressway JV is composed of 10 directors, of which six are appointed by the Baojin Expressway JV Partner and four are appointed by the Group. Certain significant matters require unanimous approval of all directors present at the meeting of the board of directors, including (i) a change to the articles of association of the Expressway JV, (ii) an increase in or transfer of the registered capital of the Expressway JV, (iii) a sale, transfer or pledge of any asset of the Expressway JV, (iv) a merger or spin-off related to the Expressway JV, and (v) termination or winding up of the Expressway JV. Except for the matters on which a unanimous approval of all directors present at the board meeting is required, board decisions of the Baojin Expressway JV require an approval of more than two-thirds of its directors present at the meeting, with at least one of which from each of the joint venture parties.

Transfer restrictions

Pursuant to the Baojin Expressway JV Contract, within the concession period, assets (including the fixed assets and other assets owned or generated by the Baojin Expressway JV) shall belong to Baojin Expressway JV and neither party shall transfer, sell or pledge any asset without the consent of the other party. If one party is interested in transferring its right in

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Baojin Expressway JV, a written consent of the other party is required. If one party is interested in transferring its registered capital, such party shall provide a written notice to the other party which contains the relevant terms and conditions of the transfer. The other party shall have the right of first refusal for 60 days, after which the registered capital may be transferred to a third party on terms and conditions not worse than those stated in the written notice. Such transfer requires the unanimous approval of all directors of Baojin Expressway JV and must be registered and approved by relevant government authorities.

Termination rights

Pursuant to the Baojin Expressway JV Contract, Baojin Expressway JV may be terminated before the end of the concession period upon the unanimous approval of all directors of the Expressway JV and approvals from relevant government authorities when: (i) Baojin Expressway JV's assets are insufficient to meet its debt obligations as they become due and its failure to turnaround from loss to profits within a reasonable time; (ii) both parties agree that the termination of the Baojin Expressway JV Contract is in their best interests; (iii) a party materially breaches under the Baojin Expressway JV Contract and fails to remedy the breach within three months upon notice from the non-breaching party; (iv) the Expressway JV or either party has declared bankruptcy, become a target of dissolution, ceased its operation or become incapable of meeting its debt obligations as they become due; (v) a party transfers its registered capital in violation of the Baojin Expressway JV Contract; (vi) the parties are no longer able to perform under the Baojin Expressway JV Contract as a result of an event of force majeure or incurable losses to the Expressway JV; or (vii) the occurrence of an event of force majeure or another event which severely affects the normal operation of Baojin Expressway JV and lasts more than 18 months and the parties cannot find a fair solution.

If any of the events set forth above occurs and the parties cannot resolve it after negotiating for 90 days, either party may request a binding arbitration. The arbitration may conclude that an early termination of Baojin Expressway JV shall take place. In the event of an early termination, Baojin Expressway JV shall cease operation and the board of directors must appoint a dissolution committee to wind up the Expressway JV's assets, rights and obligations in accordance with relevant PRC laws. The dissolution committee shall obtain the highest valuation for the Expressway JV's assets and operating rights and may, if permitted by law, invite bids for some or all of the assets and operating rights of the Expressway JV. After Baojin Expressway JV pays all of its debts, taxes or government fees, the residual surplus assets shall be distributed to the parties in proportion to their respective registered capital contribution ratio.

For a summary of other major provisions of the Baojin Expressway JV Contract, see "*Business—Our Operating Plan—Expressway JV Contract terms*".

Project Concession

Baojin Expressway JV has the concession right to operate Baojin Expressway for 30 years commencing from September 2003. At the expiration of the concession and operating period in September 2033, Baojin Expressway JV will transfer all road facilities (including the ancillary facilities, all of which must be in good condition) and other fixed assets to the Baojin

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Expressway JV Partner and the remaining assets will be distributed to the parties in proportion to their respective registered capital contribution ratio upon Baojin Expressway JV's dissolution.

Baojin Expressway JV was established in September 2003 and was granted the toll road concession right to run Baojin Expressway for 30 years in compliance with the laws then in effect. However, pursuant to the Administrative Regulations on Toll Road (《收費公路管理條例》) which came into effect in November 2004, the term for toll road concession rights shall be decided pursuant to the principle of full recovery of investment costs and reasonable investment return, but shall not be longer than 30 years for central and western provinces designated by the PRC Government and 25 years for other provinces in China. On 10 June 2011, the MOT, the Ministry of Finance (“MOF”), the NDRC, the Ministry of Supervision, and the Office of Redressing Malpractices of State Council issued a Notice on Specified Work on correcting the toll collection of Toll Roads (關於開展收費公路專項清理工作的通知) (the “Joint Notice”). Pursuant to the Joint Notice, the provincial government will lead the work of correcting unreasonable toll collection and cancel the projects of which the authorised period for toll collection has expired. In December 2012, the MOT issued Emergency Notice on Expediting the Cleaning Up of the Toll Road Relevant Issues Rectification Work Progress and Submit the Relevant Materials (關於加快收費公路專項清理相關問題整改工作進度並報送有關材料的緊急通知), urging the provincial government to expedite the correction process. We have been advised by our PRC legal adviser that Hebei Province is not designated as a central or western province. Even though Baojin Expressway JV obtained its toll collection rights prior to when the Administrative Regulations on Toll Road came into effect, the relevant government authority has the right to require Baojin Expressway JV to reduce its concession period from 30 years to 25 years. In 2015, the MOT published a proposed amendment to the Administrative Regulations on Toll Road, which would allow the concession periods for certain toll roads to be extended beyond 30 years. However, the amendment has not been put into effect as of the Latest Practicable Date. Therefore, there exist uncertainties relating to the impact of the Administrative Regulations on Toll Road on Baojin Expressway pending the proposed amendment coming into effect. See “Regulatory Overview—Regulations on Toll Collection” and “Risk Factors—Risks Relating to Our Business and Operations—The Group operates in an industry with considerable risks with respect to changes in government policies, including but not limited to those relating to the reduction of toll rates, shortening of concession periods and unfavourable changes to the expressway concession rights of the Expressway JVs, which could materially and adversely affect our business, results of operations and financial condition” for more details. Our PRC legal adviser has further advised us that, in the event that the relevant government authority requires Baojin Expressway JV to reduce its concession period, (i) the relevant authorities should follow the relevant legal procedures to request Baojin Expressway JV to reduce the concession period from 30 years to 25 years, and (ii) Baojin Expressway JV may have the right to seek compensation from the relevant authorities. Baojin Expressway JV may also seek to renew the concession period if such renewal is permitted.

Financing

The total investment amount for Baojin Expressway JV (which consists of ten joint venture enterprises established under PRC law) was RMB2,400.0 million, of which RMB960.0 million was counted towards the registered capital of the ten joint venture enterprises

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comprising the Baojin Expressway JV. The Group contributed 40% of the registered capital and of the total investment of each of the ten joint venture enterprises, respectively. Accordingly, the Group's total investment in Baojin Expressway JV was RMB960.0 million, of which RMB384.0 million was counted toward its registered capital. The Baojin Expressway JV Partner contributed the remaining 60% of the registered capital and of the total investment, respectively.

As of 31 December 2016, Baojin Expressway JV had no bank loan or shareholder loan outstanding.

Cash Distributions

Baojin Expressway JV makes periodic cash distributions subject to availability. Baojin Expressway JV's cash available for distribution is the sum of (i) the toll receipts, (ii) the fees generated from the ancillary road facilities, and (iii) other relevant income, after deducting the relevant operational and maintenance costs, daily working capital, welfare funds and taxes.

The profit/cash sharing ratios between the Group and the Baojin Expressway JV Partner are set out in four stages. Currently, the profit/cash sharing ratio is at the fourth stage.

- (a) First stage—Until the Group had fully paid its portion of capital contribution, it received cash distributions in proportion to its actual capital investment, and the Baojin Expressway JV Partner received all remaining cash distributions.
- (b) Second stage—After the end of the first stage and before the cumulative cash distributions made to the Group reached the amount of its capital contribution (taking into account the cash distributions received in the first stage): (a) if Baojin Expressway JV's annual cash distributions were less than RMB120.0 million, the Baojin Expressway JV Partner received 37.5% of the cash distributions and the Group received the remaining 62.5%; (b) if Baojin Expressway JV's annual cash distributions were more than RMB120.0 million, the Baojin Expressway JV Partner received 37.5% of RMB120.0 million of the cash distributions and the Group received the remaining 62.5% of RMB120.0 million, while the portion of the cash distributions exceeding RMB120.0 million all belonged to the Group.
- (c) Third stage—After the end of the second stage and before the cumulative cash distributions made to the Baojin Expressway JV Partner reached its amount of capital contribution: the Baojin Expressway JV Partner received 70% of the cash distributions and the Group received the remaining 30%.
- (d) Fourth stage—Between the end of the third stage and the expiry of the concession period: the Baojin Expressway JV Partner receives 60% of the cash distributions and the Group receives the remaining 40%, consistent with their agreed investment ratio.

Operations

Toll collection

The toll collection system for Baojin Expressway is in the form of a closed system with computerised calculation of toll payments. There are seven toll plazas on Baojin Expressway, which contain 68 MTC toll stations and 16 ETC toll stations. The toll collection operations are similar for all of the expressways. See "*Business— Our Operating Plan—Toll Collection Operations*" for more details.

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Baojin Expressway JV has implemented a number of measures and strategies to improve its toll collection process on Baojin Expressway, including the following:

- **“Green passage” inspection system:** Toll-free “green passage” is available to trucks that carry agricultural products. Baojin Expressway JV has developed a cost effective and reliable software that applies advanced technologies to the existing weight measuring device and the video surveillance system to determine if trucks are qualified to use the “green passage”. The software has been implemented at three toll plazas with higher traffic flows of “green passage” trucks and can effectively reduce the number of trucks abusing the toll exemption policy and improve the toll collection rates.
- **Express ticketing system:** Baojin Expressway JV developed an innovative automatic ticketing system that captures the vehicle’s licence information as the vehicle approaches the toll plaza and records the relevant information on the ticket. By the time the driver arrives at the toll booth, the toll ticket is already available for issuance. With this new system, the toll ticket issuance time is normally within the range of 1 to 3 seconds per vehicle. This technology shortens toll ticket issuance time, which helps reduce congestion at the toll plazas.
- **Increased numbers of automatic ticketing systems and ETC lanes:** Baojin Expressway JV has set up 6 automatic ticketing systems and 16 ETC toll stations, which reduce the need for manual toll collection and the related labour costs and increase its efficiency.
- **Promote the environment-friendly paperless system:** Baojin Expressway JV has developed and implemented a paperless office system which collects and processes information and provides communications between the central operational centre and toll supervision offices electronically. It systemises Baojin Expressway JV’s communications, increases the efficiency of data retrieving and recording and reduces its operational management costs throughout the organisation.

Traffic management

In addition to the regular traffic management system (see “*Business—Our Operating Plan—Traffic Management*” for more details), Baojin Expressway JV has implemented a number of measures on Baojin Expressway to increase its efficiency in traffic management, including:

- **Digital video surveillance:** To enhance Baojin Expressway JV’s monitoring ability and shorten its response time, the Expressway JV has developed and installed a digital video surveillance system, which utilises dynamic data analytic technologies and is linked to Baojin Expressway JV’s comprehensive data system. This system captures road conditions in real time and detects car accidents and other disruptive events. As a result, Baojin Expressway JV is able to react to adverse weather conditions quickly and effectively by sending out alerts to passing motorists through information boards, which helps to reduce the likelihood of accidents under adverse weather conditions. This system has been awarded with a scientific and technological advancement certification by the provincial-level government authorities.
- **Big data analytics system:** Baojin Expressway JV developed a vehicle origin-destination big data analytics system to analyse traffic volume and origin-destination data from raw sources. The system replaces manual data collection

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and analysis, provides a systematic analysis of changes in traffic flow patterns, and further enables the Expressway JV to manage the toll collection and traffic flow more effectively and to make sound strategic plans for the expressway's future development. Baojin Expressway JV will continue to implement its data strategy through the application of data intelligence and analytics technologies to its business.

Major repairs and improvements

Baojin Expressway JV takes a preventive maintenance approach with the maintenance of Baojin Expressway. The Group believes that such approach enables the Expressway JV to maintain the expressway at a satisfactory level with reduced overall maintenance costs throughout its full lifecycle. It also lessens the need for major repairs and the resulting service suspensions.

- **Periodic preventive road maintenance:** Since 2013, Baojin Expressway JV has carried out a periodic preventive road repavement programme on Baojin Expressway that applies a thin layer of asphaltic concrete onto the existing road surface. It improves the ride quality and seals up micro-cracks to prevent water from seeping into the underlying layer of pavement. The Group believes that such periodic preventive road maintenance will help to prolong the service life of the existing road surface.
- **Routine road inspection and maintenance:** Baojin Expressway JV conducts daily inspections of the road surfaces and carries out predictive and preventive maintenance measures: for example, Baojin Expressway JV adopts instant repair techniques to minor cracks detected on the road surface to prevent rain water from seeping into the road foundation; Baojin Expressway JV regularly conducts water spraying onto its road surface in the summer to cool down the road surface in order to avoid softening of the road pavement and minimise the occurrence of ruts on the pavement; Baojin Expressway JV also measures the strength of road surfaces regularly and treats the cracks found. In carrying out the maintenance tasks, Baojin Expressway JV strives to find out and cure the root causes of the road defects, which the Group believes will be beneficial to increase the lifespan of the road.
- **Planned expansion:** Baojin Expressway JV is considering to add additional toll lanes at Rongcheng toll plaza. The proposal to initiate the initial phase to widen Baojin Expressway has been approved by Baojin Expressway JV's board of directors. See "*—Recent Developments*" for more details.

Management and operational staff

Every three years, the Group appoints four of the ten directors of Baojin Expressway JV, including the vice chairman of the board of directors. The Group and the Baojin Expressway JV Partner appoint the general manager and the deputy general manager of the Expressway JV, respectively, whose tenures are subject to approval of the board of the Expressway JV.

As of 31 December 2016, Baojin Expressway JV had approximately 562 employees, of which 420 were in operations and toll collection and 142 were staffed in various other departments. A total of seven secondees from the Group were included.

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Revenues

The revenue of Baojin Expressway JV primarily represents Baojin Expressway JV's toll revenue derived from the operation of Baojin Expressway. Toll rates for Baojin Expressway are currently in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore principally dependent on traffic volume by vehicle classifications (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

The following table sets out the revenue, cash distributions, operating expenses and EBITDA for Baojin Expressway JV for the years ended 31 December 2014, 2015 and 2016:

	For the years ended 31 December		
	2014	2015	2016
	(HK\$ in millions)		
Toll revenue of the Expressway JV (net of business tax or value-added tax)	706.2	772.3	794.8
Toll operation expenses of the Expressway JV	106.4	131.7	104.3
Administrative expenses of the Expressway JV	31.6	27.5	27.0
EBITDA ⁽¹⁾	573.4	619.0	669.7
Cash distributions to all Expressway JV parties ⁽²⁾	570.2	371.5	502.4

Notes:

(1) EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV. For Baojin Expressway JV, its other income for the years ended 31 December 2014, 2015 and 2016 was HK\$5.3 million, HK\$6.0 million and HK\$6.3 million, respectively.

EBITDA is not a standard measure under HKFRS. While EBITDA provides an additional financial measure for investors to assess the Expressway JV's operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of its results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JV's operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the Expressway JV and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JV's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

For a reconciliation of the Expressway JVs' toll revenue (net of business or value-added tax) to EBITDA for the periods indicated, see "*Financial Information—Historical Non-HKFRS Financial Ratios—Key Financial Ratios*".

(2) Comprises the cash distributions to the Group and the Baojin Expressway JV Partner. The profit/cash sharing ratio has been in its fourth stage since January 2013.

Toll rates

The toll rate approval process is similar for all of the expressways. See "*Business—Our Operating Plan—Toll Rates and Revenue*" for more details. The toll rates currently payable by vehicles using Baojin Expressway are:

Vehicle classification	Trucks (tonne)	Passenger car (seats)	RMB per km
1	Not greater than 2	Not greater than 7	0.40
2	2 to 5 (inclusive)	8 to 19	0.70
3	5 to 10 (inclusive)	20 to 39	1.10
4	10 to 15 (inclusive)		
	20-and 40-foot container	More than 39	1.36
5	More than 15		RMB0.08 per tonne per km

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The toll rates currently payable by trucks using Baojin Expressway are determined by the sum of the vehicle weight and its cargo weight:

<u>Total weight (Column A)</u>	<u>Cargo weight not exceeding the Truck's stated cargo weight limit (Column B)</u>	<u>Cargo weight exceeding the Truck's stated cargo weight limit (Column C)</u>
Standard rate: RMB0.08 per tonne per km		
Less than 10 tonnes	Standard rate applies	<ul style="list-style-type: none"> ● The rate stated in Column B applies to the weight up to the vehicle's stated cargo weight; ● The overweight portion between 0% and 30% of the vehicle's stated cargo weight limit is charged at the standard rate;
10 – 49 tonnes	The rate progressively decreases from the standard rate to RMB0.044 per tonne per km	<ul style="list-style-type: none"> ● The overweight portion between 30% and 100% of the vehicle's stated cargo limit is charged progressively at one to six times the standard rate;
More than 49 tonnes	RMB0.044 per tonne per km	<ul style="list-style-type: none"> ● The overweight portion over 100% of the vehicle's stated cargo limit is charged at 16 times the standard rate; and ● If the truck's cargo weight exceeds 55 tonnes, the toll rate is charged at 16 times the standard rate.

Toll Discounts and Exemptions

Motorists that select ETC as the payment method will generally get a 5% discount in the toll charge. Certain categories of vehicles are exempt from paying toll charges. The exempt categories include vehicles bearing military registration plates, fire engines, police vehicles, as well as other vehicles performing rescue and relief duties as approved by the government authorities. In addition, trucks that carry agricultural products are allowed to use a "green passage" exemption from paying tolls.

Historical traffic flow and toll receipts

Baojin Expressway has been experiencing increasing traffic flows and toll receipts. A summary of annual average daily traffic and average daily toll receipts collected by Baojin Expressway JV for the years ended 31 December 2014, 2015 and 2016 is set out below:

<u>Project</u>	<u>For the years ended 31 December</u>					
	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u> (RMB in thousands)	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u> (RMB in thousands)	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u> (RMB in thousands)
National Expressway G18 Baoding-						
Tianjin Expressway	45,961	1,587.7	53,145	1,745.2	56,258	1,879.4
Passenger traffic	26,657	609.7	32,790	770.2	37,693	703.3
Truck traffic	19,304	978.0	20,355	975.0	18,565	1,176.1

Trends

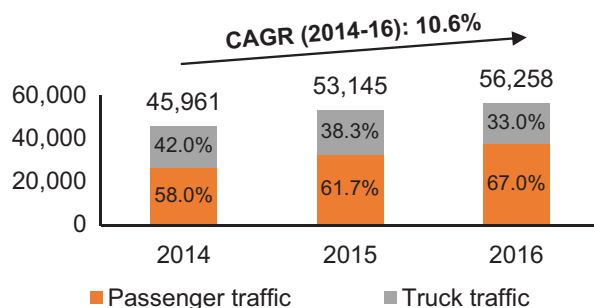
During the Track Record Period, there have been changes in the traffic mix on Baojin Expressway. While the truck traffic flow has remained generally stable, the growth in private

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vehicle ownership in Hebei and Tianjin, as well as the increasing popularity of ETC usage, has fuelled the growth in passenger traffic flow and its associated toll receipts. The Group believes that as the economic growth of Hebei Province economy continues, both the truck and the passenger traffic flows will increase in the future.

The following tables set out changes in traffic mix on Baojin Expressway and a more detailed monthly comparison of average daily toll receipts and average daily traffic flow for the years ended 31 December 2014, 2015 and 2016.

Baojin Expressway Average Daily Traffic Flow



Growth in monthly average daily toll receipts and monthly average daily traffic flow

Month	Average Daily Toll Receipts			Average Daily Traffic Flow		
	2014	2015	2016	2014	2015	2016
	(RMB in thousands)					
January	1,228	1,394	1,602	36,374	42,222	44,180
February	1,005	1,019	1,101	35,824	41,882	46,053
March	1,557	2,249	1,845	47,321	52,343	55,004
April	1,768	1,797	2,000	51,650	59,343	66,019
May	1,725	1,765	1,808	49,217	61,737	62,990
June	1,651	1,832	1,888	48,294	55,848	56,804
July	1,770	1,957	1,952	47,400	59,002	56,512
August	1,787	2,117	2,157	51,797	64,700	65,874
September	1,725	1,913	2,173	47,884	57,947	62,079
October	1,503	1,752	2,094	48,892	59,025	65,036
November	1,543	1,606	2,375	43,274	43,257	51,737
December	1,746	1,476	1,538	42,856	39,472	42,520

Traffic flow and financial forecast

For projections of annual average daily traffic flow and annual average daily toll receipts estimated by WB Group, including the basic approach and key assumptions relating to the forecast, see “Appendix III—Traffic Study Report—Baojin Expressway” for more details.

Recent developments

Baojin Expressway JV passed a RMB19 million budget to add additional toll lanes at Rongcheng toll plaza and Xiong County East toll plaza. The addition of toll lanes at Xiong County East plaza began in October 2016 and is expected to finish in late 2017. The addition of toll lanes at Rongcheng toll plaza is still under consideration. The additions will increase the expressway’s traffic capacity and the Group believes that they are likely to have beneficial economic impact in the nearby region.

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The proposal to initiate the initial phase to widen Baojin Expressway has been approved by Baojin Expressway JV's board of directors. The initial phase typically involves conducting a feasibility study and preparing for a widening plan for the Baojin Expressway and the Company currently does not expect a significant cash expenditure for the initial phase. Once the initial phase is completed, further approvals by the relevant government authorities and Baojin Expressway JVs' board of directors are required before it is widened. We aim to have the Baojin Expressway JV concession period extended should Baojin Expressway JV invest in the upgrade.

Competition

Existing and potential competing roads

The Group believes that Baojin Expressway possesses an early-entry advantage over the competing roads as it was built when the region it served was at an early stage of development, which allowed the expressway more degree of freedom in optimising its route. As the region that Baojin Expressway serves has become more developed over the years, the existing build-up in the region will provide the expressway with stable traffic flow in the future.

Baojin Expressway faces the following existing competition:

- **National Highway G112**, which completed its re-surfacing pavement construction in 2011, is toll-free and which has diverted some freight traffic (especially trucks carrying coal) away from Baojin Expressway.
- **Langfang-Zhuozhou Expressway, Beijing-Taipei Expressway and Binhai-Baoding Expressway**. After Binbao Expressway connecting Langfang-Zhuozhou Expressway and Beijing-Taipei Expressway commenced operation in 2015, the route has diverted certain trucks (especially trucks carrying coal) originating from the western part of Hebei away from Baojin Expressway.
- **The High Speed Rail from Tianjin to Baoding**, which began its operation in December 2015 and runs through cities including Bazhou City, Xiong County, Rongcheng County, Xushui County and Tianjin, has diverted certain passenger traffic away from Baojin Expressway.

Baojin Expressway may face the following potential competition in the future:

- **G0211 Tianjin-Shijiazhuang Expressway**, which is under construction and expected to be operational around 2021, will run through cities such as Shijiazhuang and Tianjin. This expressway is expected to divert away certain traffic that would otherwise use Baojin Expressway to travel between Shijiazhuang and Tianjin.
- **New Beijing Airport and Associated Expressways**. Several sections of expressways are expected to be in operation late 2018 to 2019 in association with the completion of the new Beijing Airport in 2019. These sections of expressways include the Zhuozhou section and Langfang section of S70 Beijing New Airport North Line Expressway, S65 Beijing New Airport South Exit Expressway, S72 Tangshan-Langfang Expressway Langfang section and S31 Taihangshan Expressway Laiqu section. According to WB Group, the combined effect of the new Beijing Airport and these sections of expressways to be opened in 2019 is expected to be to divert some traffic away from Baojin Expressway.

Prospects

Prospects for Hebei

According to the Thirteenth Five-Year Plan, the GDP of Hebei Province is expected to increase approximately at a CAGR of 7.0% from 2017 to 2020. In addition, we expect that Hebei Province will benefit from the “One Belt, One Road” initiative and the “Jing-Jin-Ji Integration” policy. Hebei Province’s economy will benefit from the “One Belt, One Road” initiative as the province is envisioned to become a key passage of trade supporting China’s strategy of building the 21st Century Maritime Silk Road. Under the “Jing-Jin-Ji Integration” strategy, the nonessential functions of Beijing will be relocated to Tianjin and Hebei, which is expected to boost the economic development within the region. See “*Industry Overview—The Economy of China and Hebei, Hunan, Shanxi and Anhui Province—Hebei Province*” for more details.

Factors specific to Baojin Expressway

- **Beneficial connecting roads:** Baoding-Fuping Expressway, an artery in the province’s expressway network, has been fully operational since 2010 and attracts traffic (especially coal-carrying trucks) which are going from Shanxi region to Tianjin or the north-eastern provinces of the country to Baojin Expressway. In addition, the Pocang-Laiyuan East section of the National Expressway G18 Rongcheng-Wuhai Expressway are expected to become operational in 2017. According to WB Group, once the section becomes fully operational, the entire Expressway will be completed and is expected to have a positive impact.
- **Ports:** According to WB Group, Baojin Expressway benefits from its nearby ports, including Caofeidian Port, Jingtang Port, Tianjin Port and Huanghua Port, whose freight volume is expected to increase. Specifically, the current government plan states that Caofeidian Port will become a port for crude oil and natural gas and an important base for timber, steel, chemical petroleum and automobile industries in the next five years.

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NATIONAL EXPRESSWAY G25 TANGSHAN-TIANJIN EXPRESSWAY (“TANGJIN EXPRESSWAY”)

The Group has a 45% equity interest in Tangjin Expressway and currently receives 45% of the cash distributions generated from this expressway. The Group’s interest in Tangjin Expressway is held through three joint venture enterprises in partnership with Hebei Provincial Expressway Development Company (previously Hebei Province Road Investment and Management Office). Tangjin Expressway is fully operational and has been collecting tolls since 1996. For a brief description of Tangjin Expressway, see “*Business—The Five Existing Expressway Projects—Tangjin Expressway*”.

The Road



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Key Data

Route	National Expressway G25 Tangshan-Tianjin Expressway
Total Length	58 km
Classification	Expressway
Number of lanes	6 lanes (between Hebei/Tianjin border and Lianhuapo) 4 lanes (between Lianhuapo and Beijing-Harbin Expressway)
Design speed	120 km per hour
Design capacity	41,500 vehicles per day (four-lane sections) 62,200 vehicles per day (six-lane sections)
Toll system	Closed system
Number of toll plazas	5
Number of interchanges	2
Average daily gross toll revenue in 2016	RMB1.45 million
Average daily traffic (vehicles) in 2016	45,955 vehicles
Of passenger vehicles	18,966
Of trucks	26,989
Expressway JV partner	Hebei Provincial Expressway Development Company (previously Hebei Province Road Investment and Management Office)
Expressway JV concession period	18 years
Expressway JV expiry date	January 2023
Concession period expiry date	January 2023
The Group's investment	RMB798.9 million
The Group's equity interest	45%
Current profit/cash sharing ratio to the Group	45%
Cash distributions received by the Group in 2014	HK\$47.7 million
Cash distributions received by the Group in 2015	HK\$102.5 million
Cash distributions received by the Group in 2016	HK\$134.2 million
Status	Fully operational, collecting tolls

	2014	2015	2016
MQI	96.9	96.0	95.8

Destinations and Major Connections

- **Tianjin, Tangshan and Qinhuangdao:** Tangjin Expressway forms a major economic corridor between Fengrun and Fengnan. It also reaches major cities such as Tianjin, Tangshan and Qinhuangdao. The expressway is well positioned to benefit from the economic growth in Tangshan, which is one of the major cities contributing to the economic development of Hebei. According to the same source, key economic growth drivers in Tangshan include steel and coal production, machinery and equipment, chemical, food processing and shipping industry (as led by the development of its surrounding ports), among others.
- **Railway, highways and expressways and ports:** Tangjin Expressway provides a link to various important facilities including railways, highways and expressways (such as Beijing-Harbin Expressway, Tangshan-Jingtang Expressway, Tangshan-Chengde Expressway and Tangshan-Caofeidian Expressway) and ports including Jingtang Port, Caofeidian Port, Tianjin Port and Huanghua Port.

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- **Changchun to Shenzhen Expressway:** Tangjin Expressway is a component of the Changchun-Shenzhen Expressway. The Changchun-Shenzhen Expressway is one of the eleven expressways running in the north-south direction in the PRC national expressway network, providing steady traffic flow into Tangjin Expressway.
- **Beijing-Harbin Expressway and Beijing-Taipei Expressway:** Tangjin Expressway also connects the Beijing-Harbin Expressway and the Beijing-Taipei Expressway, two of the seven radial expressways from Beijing.

Interchanges

Tangjin Expressway currently has two interchanges which connect Tangjin Expressway to the major connecting roads linking the highly populous and industrial areas in the northeastern, eastern and southern regions of the PRC. Tangjin Expressway is also a part of a major trunk road connecting the southern and eastern coastal areas of Hebei including Tianjin, Tangshan and Qinhuangdao and a transportation corridor for goods in and out of the nearby ports including Jingtang Port, Caofeidian Port, Tianjin Port and Huanghua Port.

Joint Venture and Project Management Arrangements

The Tangjin Expressway project was established by the Group as a joint venture in partnership with Hebei Provincial Expressway Development Company (previously Hebei Province Road Investment and Management Office) as the Group's PRC partner, beginning in January 2005 and expiring in January 2023. The term of Tangjin Expressway JV may be extended with both the unanimous approval of all directors of the Expressway JV and approvals of the relevant government authorities. The Group has a 45% equity interest in Tangjin Expressway and currently receives 45% of the cash distributions generated from this expressway, while the Tangjin Expressway JV Partner has a 55% equity interest and currently receives 55% of the cash distributions. The Tangjin Expressway JV Partner is registered in Hebei.

Under the Tangjin Expressway JV Contract, the board of directors of Tangjin Expressway JV is composed of seven directors, of which four are appointed by the Tangjin Expressway JV Partner and three are appointed by the Group. Certain significant matters require unanimous approval of all directors present at the meeting of the board of directors, including (i) a change to the articles of association of the Expressway JV, (ii) an increase in or transfer of the registered capital of the Expressway JV, (iii) a sale, transfer or pledge of any asset of the Expressway JV, (iv) a merger or spinoff related to the Expressway JV, and (v) termination or winding up of the Expressway JV. Except for the matters on which a unanimous approval of all directors of the board is required, board decisions of Tangjin Expressway JV require an approval of more than two-thirds of its directors present at the meeting, with at least one of which from each of the joint venture parties.

Transfer restrictions

Pursuant to the Tangjin Expressway JV Contract, within the concession period, assets (including the fixed assets and other assets owned or generated by the Tangjin Expressway JV) shall belong to Tangjin Expressway JV and neither party shall transfer, sell or pledge any asset without the consent of the other party. If one party is interested in transferring its right in the Expressway JV, a written consent of the other party is required. If one party is interested

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in transferring its registered capital, such party shall provide a written notice to the other party which contains the relevant terms and conditions of the transfer. The other party shall have the right of first refusal for 60 days, after which the registered capital may be transferred to a third party on terms and conditions not worse than those stated in the written notice. Such transfer requires the unanimous approval of all directors of Tangjin Expressway JV and must be registered and approved by relevant government authorities.

Termination rights

Pursuant to the Tangjin Expressway JV Contract, Tangjin Expressway JV may be terminated before the end of the concession period upon the unanimous approval of all directors of the Expressway JV and approvals from relevant government authorities when: (i) Tangjin Expressway JV's assets are insufficient to meet its debt obligations as they become due and its failure to turnaround from loss to profits within a reasonable time; (ii) both parties agree that the termination of the Tangjin Expressway JV Contract is in their best interests; (iii) a party materially breaches the Tangjin Expressway JV Contract and fails to remedy the breach within three months upon notice from the non-breaching party; (iv) Tangjin Expressway JV or either party has declared bankruptcy, become a target of dissolution, ceased its operation or become incapable of meeting its debt obligations as they become due; (v) a party transfers its registered capital in violation of the Tangjin Expressway JV Contract; or (vi) the parties are no longer able to perform under the Tangjin Expressway JV Contract as a result of an event of force majeure or incurable losses to the Expressway JV, or (vii) the occurrence of an event of force majeure or another event which severely affects the normal operation of the Expressway JV occurs and lasts for more than 18 months and the parties cannot find a fair solution.

If any of the events set forth above occurs and the parties cannot resolve it after negotiating for 90 days, either party may request a binding arbitration. The arbitration may conclude that an early termination of Tangjin Expressway JV shall take place. In the event of an early termination, Tangjin Expressway JV shall cease operation and the board of directors must appoint a dissolution committee to wind up the Expressway JV's assets, rights and obligations in accordance with relevant PRC laws. The dissolution committee shall obtain the highest valuation for the Expressway JV's assets and operating rights and may, if permitted by law, invite bids for some or all of assets and operating rights of the Expressway JV. After Tangjin Expressway JV pays all of its debts, taxes or government fees, the residual surplus assets shall be distributed to the parties in a fair and reasonable manner such that the parties will have a roughly identical rate of return on their investments.

For a summary of other major provisions of the Tangjin Expressway JV Contract, see "*Business—Our Operating Plan—Expressway JV Contract terms*".

Project Concession

Tangjin Expressway JV has the concession right to operate Tangjin Expressway for 18 years commencing from January 2005. At the expiration of the concession and operating period in January 2023, Tangjin Expressway JV will transfer all road facilities (including the ancillary facilities, all of which must be in good condition) to the relevant government authorities for zero consideration and all other fixed assets to the Tangjin Expressway JV

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Partner for zero consideration. The remaining assets will be distributed to the parties in proportion to their respective registered capital contribution ratio upon Tangjin Expressway JV's dissolution.

Financing

The total investment amount for Tangjin Expressway JV (which consists of three joint venture enterprises established under PRC law) was RMB1,775.4 million, of which RMB710.1 million was counted toward the registered capital of the three joint venture enterprises comprising the Tangjin Expressway JV. The Group contributed 45% of the registered capital and of the total investment of each of three joint venture enterprises, respectively. Accordingly, the Group's total investment in Tangjin Expressway JV was RMB798.9 million, of which RMB319.6 million was counted toward its registered capital. The Tangjin Expressway JV Partner contributed the remaining 55% of the registered capital and of the total investment, respectively.

As of 31 December 2016, Tangjin Expressway JV had no bank loan or shareholder loan outstanding.

Cash Distributions

Tangjin Expressway JV makes periodic cash distributions subject to availability. Tangjin Expressway JV's cash available for distribution is the sum of (i) the toll receipts, (ii) the fees generated from the ancillary road facilities, and (iii) other relevant income, after deducting the relevant operational and maintenance costs, daily working capital, welfare funds and taxes.

The profit/cash sharing ratios between the Group and the Tangjin Expressway JV Partner are set out in four stages. Currently, the profit/cash sharing ratio is at the fourth stage.

- (a) First stage—Until the Group had fully paid its portion of capital contribution, it received cash distributions in proportion to its actual capital investment, the Tangjin Expressway JV Partner received all remaining cash distributions.
- (b) Second stage—Between the end of the first stage and before the cumulative cash distributions made to the Group reach the amount of its capital contribution (taking into account the cash distributions received in the first stage): the Tangjin Expressway JV Partner received 35% of the cash distributions and the Group received the remaining 65%.
- (c) Third stage—Between the end of the second stage and seven years thereafter: the Tangjin Expressway JV Partner received 70% of the cash distributions and the Group received the remaining 30%.
- (d) Fourth stage—Between the end of the third stage and the expiry of the concession period: the Tangjin Expressway JV Partner receives 55% of the cash distributions and the Group receives the remaining 45%, consistent with their agreed investment ratio.

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Operations

Toll collection

The toll collection system for Tangjin Expressway is in the form of a closed system with computerised calculation of toll payments. There are five toll plazas on Tangjin Expressway, which contain 57 MTC toll stations and 10 ETC toll stations across these toll plazas. The ETC toll stations have been installed in Tangjin Expressway since 2010. The toll collection operations are similar for all of the expressways. See “*Business—Our Operating Plan—Toll Collection Operations*” for more details.

Tangjin Expressway JV has implemented a number of measures and strategies to improve its toll collection process on Tangjin Expressway, including the following:

- **“Green passage” inspection system:** Toll-free “green passage” is available to trucks that carry agricultural products. Tangjin Expressway JV has invested RMB2 million and was one of the first in China to develop a radiation imaging system for “green passage” inspection. It was deployed at the toll plaza located on the main line of Tangjin Expressway to determine if trucks are qualified to use the “green passage”. The system produces accurate images instantly, reduces the errors associated with manual inspection and improves the operational efficiency of the toll lanes.
- **Automatic ticketing system:** Tangjin Expressway JV has installed five automatic ticketing systems at four toll plazas on Tangjin Expressway. These systems are capable of issuing different tickets to vehicles based on their categories. The Group believes that the automatic ticketing system has improved the efficiency of the tolls and reduced labour costs associated with toll operations.
- **Computerised checks of toll receipt allocations:** Tangjin Expressway JV developed specialised software to calculate toll receipt allocations between the Expressway JV and other expressway operators within the same network. The system cross-checks and verifies its own results against the allocation results as calculated by the relevant entity on a daily basis and has achieved a 95% accuracy rate to date. This software has helped Tangjin Expressway JV to achieve a more accurate toll receipt allocation.
- **Improved customer services:** Tangjin Expressway JV has adopted a comprehensive customer service programme to standardise the operations and services offered at all toll plazas. The programme improved the quality of the services and the customer experience, increasing the competitiveness of the expressway.

Traffic management

In addition to the regular traffic management system (see “*Business—Our Operating Plan—Traffic Management*” for more details), Tangjin Expressway JV has implemented a number of measures on Tangjin Expressway to increase its efficiency in traffic management, including:

- **Coordination with the government authorities to use police vehicles as safety cars:** During adverse weather conditions (such as snow storms and heavy

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fog), some vehicles might get stuck on the expressway; other vehicles may congregate at the toll plaza, waiting for the expressway to reopen. Both scenarios create significant congestion and safety risks. Through coordination with the relevant government authorities (including highway patrol officers and Road Administration Bureau), police vehicles are used to direct vehicles to pass through the Tangjin Expressway under adverse weather conditions in an organised and safe manner. This strategy makes the expressway safer, increases the usability of the expressway even during adverse weather conditions and has been well received by motorists and the general public.

- **Comprehensive monitoring system:** Tangjin Expressway JV installed a comprehensive monitoring system where high-resolution digital surveillance video cameras are placed every two kilometres along the expressway. The new monitoring system not only enhances the clarity of video and its reliability, it also allows the images captured by these surveillance video cameras to be viewed on mobile devices in real time, enabling relevant information to be passed on to the first responders in real time so that car accidents and other traffic disruptions may be dealt with more swiftly and effectively.

Major repairs and improvements

Maintenance is carried out regularly so that the condition of Tangjin Expressway is maintained at a satisfactory level. In carrying out maintenance works, Tangjin Expressway JV primarily focuses on preventive maintenance of the expressway.

- **Intermediate road repair:** Tangjin Expressway JV has invested more than RMB210.0 million in 2007 and approximately RMB215.0 million in 2014 and 2015 to improve the overall pavement conditions on Tangjin Expressway. These road repairs upgraded the road surface, which enabled it to better withstand the usage of trucks.
- **Routine road inspection and maintenance:** Focusing on maintaining road surfaces and bridges, Tangjin Expressway JV carries out preventive maintenance measures throughout the full lifecycle of the expressway. The Group believes that the preventive maintenance carried out by Tangjin Expressway JV will help maintain the road conditions and reduce the maintenance needs in the long run by reducing the need of major repairs.
- **Expansion of toll plaza:** Tangjin Expressway JV has invested approximately RMB16.5 million to expand a toll plaza on Tangjin Expressway, widening it from nine toll lanes to 13 lanes in 2009. The Expressway JV has invested approximately RMB28.8 million to further expand the toll plaza on the main line into 16 toll lanes in 2013 and to add the lanes approaching the toll plaza from three lanes to six. The expansion was designed to significantly shorten the queues of vehicles at the toll plazas during peak traffic periods and gradually attract more passenger vehicles to use Tangjin Expressway.

Management and operational staff

Every three years, the Group appoints three out of the seven directors of Tangjin Expressway JV, including the vice chairman of the board of directors. The Group and the

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Tangjin Expressway JV Partner appoint the general manager and the deputy general manager of the Expressway JV, respectively, whose tenures are subject to approval of the board of directors.

As of 31 December 2016, Tangjin Expressway JV had approximately 396 employees, of which 287 were in operations and toll collection and 109 were staffed in various other departments. A total of seven secondees from the Group were included.

Revenues

Substantially all of the revenue of Tangjin Expressway JV primarily represents Tangjin Expressway JV's toll revenue derived from the operation of Tangjin Expressway. Toll rates for Tangjin Expressway are currently in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore principally dependent on traffic volume by vehicle classifications (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

The following table sets out the revenue, cash distributions, operating expenses and EBITDA for Tangjin Expressway JV for the years ended 31 December 2014, 2015 and 2016:

	For the years ended 31 December		
	2014	2015	2016
	(HK\$ in millions)		
Toll revenue of the Expressway JV (net of business tax or value-added tax)	598.4	668.4	612.2
Toll operation expenses of the Expressway JV	70.6	86.8	80.2
Administrative expenses of the Expressway JV	32.7	32.0	32.0
EBITDA ⁽¹⁾	495.6	553.9	502.5
Cash distributions to all Expressway JV parties ⁽²⁾	126.6	292.8	362.1

Notes:

(1) EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV. For Tangjin Expressway JV, its other income for the years ended 31 December 2014, 2015 and 2016 was HK\$0.5 million, HK\$4.3 million and HK\$2.5 million, respectively.

EBITDA is not a standard measure under HKFRS. While EBITDA provides an additional financial measure for investors to assess the Expressway JV's operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of its results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JV's operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the Expressway JV and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JV's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

For a reconciliation of the Expressway JVs' toll revenue (net of business or value-added tax) to EBITDA for the periods indicated, see "*Financial Information—Historical Non-HKFRS Financial Ratios—Key Financial Ratios*".

(2) Comprises the cash distributions to the Group and the Tangjin Expressway JV Partner. The profit/cash sharing ratio has been in its fourth stage since February 2016.

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Toll rates

The toll rate approval process is similar for all of the expressways. See “*Business—Our Operating Plan—Toll Rates and Revenue*” for more details. The toll rates currently payable by vehicles using Tangjin Expressway are:

Vehicle classification	Trucks (tonne)	Passenger car (seats)	RMB per km
1	Not greater than 2	Not greater than 7	0.50
2	2 to 5 (inclusive)	8 to 19	0.88
3	5 to 10 (inclusive)	20 to 39	1.38
4	10 to 15 (inclusive) 20- and 40-foot container	More than 39	1.70
5	More than 15		0.11/per tonne

The toll rates currently payable by trucks using Tangjin Expressway are determined by the sum of the vehicle weight and its cargo weight:

Total weight (Column A)	Cargo weight not exceeding the Truck’s stated cargo weight limit (Column B)	Cargo weight exceeding the Truck’s stated cargo weight limit (Column C)
Standard rate: RMB0.08 per tonne per km		
Less than 10 tonnes	Standard rate applies	<ul style="list-style-type: none"> ● The rate stated in Column B applies to the weight up to the vehicle’s stated cargo weight; ● The overweight portion between 0% and 30% of the vehicle’s stated cargo weight limit is charged at the standard rate;
10 – 49 tonnes	The rate progressively decreases from the standard rate to 55% of the standard rate per tonne per km	<ul style="list-style-type: none"> ● The overweight portion between 30% and 100% of the vehicle’s stated cargo limit is charged progressively at one to six times the standard rate;
More than 49 tonnes	55% of the standard rate per tonne per km	<ul style="list-style-type: none"> ● The overweight portion over 100% of the vehicle’s stated cargo limit is charged at 16 times the standard rate; and ● If the truck’s cargo weight exceeds 55 tonnes, the toll rate is charged at 16 times the standard rate.

Toll Discounts and Exemptions

Motorists that select ETC as the payment method will generally get a 5% discount in the toll charge. Certain categories of vehicles are exempt from paying toll charges. The exempt categories include vehicles bearing military registration plates, fire engines, police vehicles, as well as other vehicles performing rescue and relief duties as approved by the government authorities. In addition, trucks that carry agricultural products are allowed to use a “green passage” exemption from paying tolls.

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Historical traffic flow and toll receipts

Tangjin Expressway has been experiencing increasing traffic flows. A summary of annual average daily traffic and average daily toll receipts collected by Tangjin Expressway JV for the years ended 31 December 2014, 2015 and 2016 is set out below:

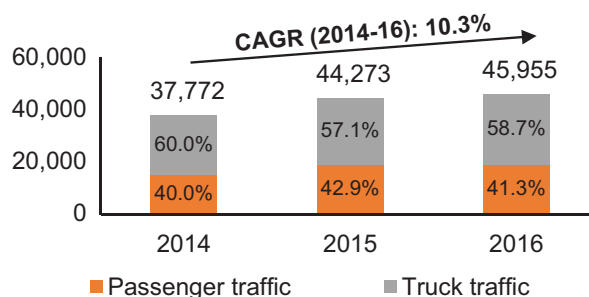
Project	For the years ended 31 December					
	2014		2015		2016	
	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)
National Expressway G25 Tangshan-						
Tianjin Expressway	37,772	1,345.4	44,273	1,510.3	45,955	1,447.6
Passenger traffic	15,098	190.8	18,976	246.1	18,966	217.1
Truck traffic	22,674	1,154.6	25,297	1,264.2	26,989	1,230.5

Trends

In recent years, growth in GDP and private vehicle ownership in Hebei and Tianjin has led to the growth in traffic flow on Tangjin Expressway in general. During the Track Record Period, Tangjin Expressway generally had more truck traffic than passenger traffic, primarily due to the industrial development in the region. However, during the same period, the growth in private vehicle ownership in Hebei and Tianjin, as well as growth in the local tourism industry, has also led to an increase in passenger traffic flow.

The following tables set out changes in traffic flow and traffic mix on Tangjin Expressway, and a more detailed monthly comparison of average daily toll receipts and average daily traffic flow for the years ended 31 December 2014, 2015 and 2016.

Average Daily Traffic of Tangjin Expressway



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Growth in monthly average daily toll receipts and monthly average daily traffic flow

Month	Average Daily Toll Receipts			Average Daily Traffic Flow		
	2014	2015	2016	2014	2015	2016
	(RMB in thousands)					
January	956	1,093	1,303	28,403	32,365	36,213
February	822	903	953	27,831	35,217	39,480
March	1,206	1,285	1,714	31,537	38,404	41,632
April	1,688	1,598	1,590	42,215	43,635	48,762
May	1,998	1,910	1,523	49,300	51,578	47,833
June	1,793	1,788	1,692	43,907	46,240	44,443
July	1,088	1,404	1,187	42,102	53,850	49,091
August	1,135	1,770	1,268	44,456	61,876	53,761
September	1,430	1,826	1,635	38,115	55,219	49,359
October	1,409	1,860	1,554	39,638	47,437	57,020
November	1,350	1,327	1,681	33,801	32,469	45,931
December	1,248	1,316	1,266	31,217	32,130	37,665

Traffic flow and financial forecast

For projections of annual average daily traffic flow and annual average daily toll receipts estimated by WB Group, including the basic approach and key assumptions relating to the forecast, see “Appendix III—Traffic Study Report—Tangjin Expressway” for more details.

Recent developments

The proposal to initiate the initial phase to widen Tangjin Expressway has been approved by Tangjin Expressway JV’s board of directors. The initial phase typically involves conducting a feasibility study and preparing for a widening plan for the Tangjin Expressway and the Company currently does not expect a significant cash expenditure for the initial phase. Once the initial phase is completed, further approvals by the relevant government authorities and Tangjin Expressway JV’s board of directors are required before it is widened. We aim to have the Tangjin Expressway JV concession period extended should Tangjin Expressway JV invest in the upgrade.

Competition

Existing and potential competing roads

Tangjin Expressway faces the following existing competition:

- **Yantai Expressway and G205 National Highway:** The Yantai Expressway and G205 National Highway are considered to be Tangjin Expressway’s competing roads. However, as these roads have been coexisting with Tangjin Expressway for many years, their impact on Tangjin Expressway has already been reflected in the past and current traffic flow on Tangjin Expressway.
- **Zhangjiakou-Caofeidian Port Railway,** which began its operation in December 2015, connects Zhangjiakou, Chengde and Tangshan. It is a part of the much-needed railway link between Inner Mongolia and Hebei and forms a new transportation route between Beijing, Tianjin and Hebei. This railway is mainly for freight transport with relatively limited passenger services, which has diverted certain truck and passenger traffic away from Tangjin Expressway.

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- **Tangshan-Qinhuangdao Railway**, which began its operation in December 2013, connects Tianjin, Junliang City North, Binhai, Binhai North, Tangshan, Luanhu, Lulong South, Beidaihe and Qinhuangdao, has diverted certain passenger traffic away from Tangjin Expressway.

Tangjin Expressway faces the following potential competition in the future:

- **Opening of S51 Qian'an-Caofeidian Expressway**: The Qian'an-Caofeidian Expressway is expected to be fully operational in 2018 and it runs generally in a north-south direction that is parallel to Tangjin Expressway. Thus, it may divert some of the current traffic flow away from Tangjin Expressway. According to WB Group, it is far away from the relatively developed areas of Tangshan.

Prospects

Prospects for Hebei

According to the Thirteenth Five-Year Plan, the GDP of Hebei Province is expected to increase approximately at a CAGR of 7.0% from 2017 to 2020. In addition, we expect that Hebei Province will benefit from the “One Belt, One Road” initiative and the “Jing-Jin-Ji Integration” policy. Hebei Province’s economy will benefit from the “One Belt, One Road” initiative as the province is envisioned to become a key passage of trade supporting China’s strategy of building the 21st Century Maritime Silk Road. Under the “Jing-Jin-Ji Integration” strategy, the nonessential functions of Beijing will be relocated to Tianjin and Hebei, which is expected to boost the economic development within the region. See “*Industry Overview—The Economy of China and Hebei, Hunan, Shanxi and Anhui Province—Hebei Province*” for more details.

Factors specific to Tangjin Expressway

- **Potential lift of the traffic flow restriction in July and August**: According to WB Group, it is likely that the restrictions on heavy trucks’ passage on Tangjin Expressway during the months of July and August will be lifted after all sections of the second expressway from Beijing to Harbin are put into service.
- **Ports**: According to WB Group, Tangjin Expressway benefits from its nearby ports, including Caofeidian Port, Jingtang Port, Tianjin Port and Huanghua Port, whose freight volume is expected to increase. Specifically, the current government plan states that Caofeidian Port will become a port for crude oil and natural gas and an important base for timber, steel, chemical petroleum and automobile industries in the next five years.
- **Steel and coal industries in Tangshan**: The Group believes that as the economic growth of Hebei Province continues and after the completion of the industry restructuring, the steel and coal industries in Tangshan may expand again. The Group believes that this development may benefit Tangshan and its surrounding areas and lead to an increase in the truck traffic flow on Tangjin Expressway.
- **Expressways to be operational in 2020**: several expressways are expected to be in operation in 2020. According to WB Group, the overall impact of these new expressways on Tangjin Expressway is expected to be positive.

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NATIONAL EXPRESSWAY G5513 CHANGSHA-YIYANG EXPRESSWAY (“CHANGYI EXPRESSWAY”)

The Group has a 43.17% equity interest in Changyi Expressway and currently receives 50% of the cash distributions generated from this expressway. The Group’s interest in Changyi Expressway is held through six joint venture enterprises established in partnership with the Changyi Expressway JV Partner. Changyi Expressway is fully operational and has been collecting tolls since 1998. For a brief description of Changyi Expressway, see “Business—The Five Existing Expressway Projects—Changyi Expressway”.

The Road



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Key Data

Route	National Expressway G5513 Changsha-Yiyang Expressway		
Total Length	69 km		
Classification	Expressway		
Number of lanes	4 lanes		
Design speed	120 km per hour		
Design capacity	70,000 vehicles per day		
Toll system	Closed system		
Number of toll plazas	7		
Number of interchanges	2		
Average daily gross toll revenue in			
2016	RMB1.77 million		
Average daily traffic (vehicles) for in			
2016	64,952 vehicles		
Of passenger vehicles	55,942		
Of trucks	9,010		
Expressway JV partner	Hunan Expressway Construction Development Company		
Expressway JV concession period	27 years		
Expressway JV expiry date	October 2024		
Concession period expiry date	October 2024		
The Group's total investment	RMB618.4 million		
The Group's equity interest	43.17%		
Current profit/cash sharing ratio to the			
Group	50%		
Cash distributions received by the Group			
in 2014	HK\$141.0 million		
Cash distributions received by the Group			
in 2015	HK\$164.6 million		
Cash distributions received by the Group			
in 2016	HK\$168.6 million		
Status	Fully operational, collecting tolls		
		<u>2014</u>	<u>2015</u>
MQI		95.8	96.4
			<u>2016</u>
			96.1

Destinations and Major Connections

- **Changsha City, Ningxiang and Yiyang City:** Changyi Expressway reaches major cities in the Changsha-Zhuzhou-Xiangtan region, including Changsha City, the capital of Hunan Province, Ningxiang and Yiyang City, and benefits from the traffic flow between Hunan and Chongqing. Key economic growth drivers in the region served by Changyi Expressway include the food processing industry, advanced machinery and equipment industry as well as other new- and high-technology industries, tourism and modern agriculture.
- **National economic development zones:** Changyi Expressway is 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. The expressway is expected to benefit from an increase in freight and logistic transportation flowing into and out of these development zones.
- **Airport and major highways:** Changyi Expressway is connected to Changsha-Yong'an Expressway and Changsha Huanghua Airport. In addition, Changyi

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Expressway provides the connection between two national trunk roads connecting cities such as Yiyang, Changde, Zhangjiajie and Chongqing to the west, and Nanchang and Hangzhou to the east. Major highway connections include Yining Intercity Main Road, Jinzhou Avenue and National Highway G319.

- **Changsha-Zhangjiajie Expressway and major feeder road connections:** Changyi Expressway is a part of Changsha-Zhangjiajie Expressway and also connects to Yueyang-Linwu Expressway and Yiyang Bypass Expressway.

Interchanges

Changyi Expressway currently has two interchanges which connect Changyi Expressway to Yueyang-Linwu Expressway and Yiyang Bypass Expressway, connecting Changyi Expressway with highly populous cities in Hunan.

Joint Venture and Project Management Arrangements

The Changyi Expressway project was established by the Group as a joint venture in partnership with Hunan Expressway Construction Development Company as the Group's PRC partner, beginning in October 1997 and expiring in October 2024. The term of Changyi Expressway JV may be extended with both the approval of both parties and approvals of the relevant government authorities. The Group has a 43.17% equity interest in Changyi Expressway JV and currently receives 50% of the cash distributions generated from this expressway, while the Changyi Expressway JV Partner has a 56.83% equity interest and currently receives 50% of the cash distributions. The Changyi Expressway JV Partner is registered in Hunan.

Under the Changyi Expressway JV Contract, the board of directors of Changyi Expressway JV is composed of seven directors, of which four are appointed by the Changyi Expressway JV Partner and three are appointed by the Group. Certain significant matters require unanimous approval of all directors of Changyi Expressway JV, including (i) a change to the articles of association of the Expressway JV, (ii) the appointment and termination of the general manager, deputy general manager and chief financial officer, (iii) the approval of the Expressway JV's operation and management plan, procurement plan, operating budget, financial budget, previous year's financial report and overall operation report, (iv) an increase in or transfer of the registered capital of the Expressway JV, (v) a sale, transfer or pledge of any asset of the Expressway JV, (vi) a merger or spinoff related to the Expressway JV, and (vii) termination or winding up of the Expressway JV. Except for the matters on which a unanimous approval of all directors of the Board is required, board decisions of Changyi Expressway JV require approval of a two-thirds majority of all directors of the board, with at least one of which from each of the joint venture parties.

Transfer restrictions

Pursuant to the Changyi Expressway JV Contract, within the concession period, if one party is interested in transferring its right in Changyi Expressway JV, a unanimous approval of all directors of the Expressway JV and the approval of the relevant government authority are required. If one party is interested in transferring its registered capital, such party shall provide a written notice to the other party which contains the relevant terms and conditions of the transfer. The other party shall have the right of first refusal for 60 days, after which the registered capital may be transferred to a third party on terms and conditions not worse than

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those stated in the written notice. If one of the parties is interested in transferring its equity, the written consent of the other party is required and such party shall have the priority to acquire this equity provided that it matches the terms and conditions of the transfer. However, neither party may sell shares as a result of which will bring its holding in Changyi Expressway JV to be less than 70% of its initial investment.

Termination rights

Pursuant to the Changyi Expressway JV Contract, Changyi Expressway JV terminates upon the following events: (i) at the expiration of the concession period; (ii) the Expressway JV incurs substantial loss and is unable to continue to operate; (iii) either party fails to perform its obligations in the Changyi Expressway JV Contract or the articles of association, which results in the Expressway JV's inability to continue to operate; (iv) failure to operate due to material losses as a result of an event of force majeure; or (v) the occurrence of other terminating events as set forth in the Changyi Expressway JV Contract or its articles of association. In the event of the occurrence of (ii), (iv) and (v) aforementioned, the termination must be approved by relevant government authorities.

Upon dissolution, the board of directors shall provide the process and principles for winding-up and appoint a dissolution committee. The Group and the Changyi Expressway JV Partner shall each appoint three representatives to the dissolution committee, which will proceed with the winding-up process in accordance with relevant PRC laws to wind up the Expressway JV's assets, rights and obligations. If the dissolution is triggered as a result of an early termination, the assets of Changyi Expressway JV shall be liquidated in the following order: (i) winding-up fees; (ii) unpaid salary, benefits and employee insurance; (iii) taxes payable; (iv) any outstanding debts; (v) any unpaid investment contribution; and (vi) residual distributable profit, in accordance to the applicable profit/cash sharing ratios.

For a summary of other major provisions of the Changyi Expressway JV Contract, see "*Business—Our Operating Plan—Expressway JV Contract terms*".

Project Concession

Changyi Expressway JV has the right to operate Changyi Expressway for 27 years commencing from October 1997. At the expiration of the concession period in October 2024, the Changyi Expressway JV will transfer the fixed assets related to the initial construction of Changyi Expressway as well as certain fixed assets as set forth in the Changyi Expressway JV to the Changyi Expressway JV Partner. The remaining assets (including the fixed and non-fixed assets later invested in by the parties) will be distributed to the parties in proportion to their respective registered capital contribution ratio upon the Expressway JV's dissolution.

Financing

The total investment amount for Changyi Expressway JV (which consists of six joint venture enterprises established under PRC law) was RMB1,390.0 million. In 1999, an additional investment of RMB42.6 million related to the expressway construction was approved, bringing the total investment amount for Changyi Expressway JV to RMB1,432.6

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million. Approximately RMB573.0 million of the total investment was counted toward the registered capital of the six joint venture enterprises comprising the Changyi Expressway JV. The Group contributed 43.17% of the registered capital and of the total investment of each of the six joint venture enterprises, respectively. Accordingly, the Group's total investment in Changyi Expressway JV was RMB618.4 million, of which RMB247.4 million was counted toward its registered capital. The Changyi Expressway JV Partner contributed the remaining 56.83% of the registered capital and of the total investment, respectively.

As of 31 December 2016, Changyi Expressway JV had HK\$139.0 million of shareholder loans and HK\$139.0 million of bank loans outstanding.

Cash Distributions

Changyi Expressway JV makes periodic cash distributions subject to availability. Changyi Expressway JV's cash available for distribution is the sum of (i) the Changyi Expressway toll receipts, (ii) the fees generated from the ancillary road facilities, and (iii) other relevant income, after deducting the relevant operational and maintenance costs, daily working capital, welfare funds and taxes.

The profit/cash sharing ratios between the Group and the Changyi Expressway JV Partner were set out in five stages. Currently, the profit/cash sharing ratio is at the fifth stage.

- (a) First Stage—Before the cumulative cash distributions made to the Group reached the amount of its original capital contribution (RMB618.4 million), it received all cash distributions of the Expressway JV. The Changyi Expressway JV Partner guaranteed that (1) the Group would recover its original capital contribution within six years of the commencement of the expressway's operation; and (2) specifically, for each of the six years, the annual cash distributions would not be less than the amounts specified in the Changyi Expressway JV Contract. The Changyi Expressway JV Partner ensured that any shortfall to the guaranteed amount would be paid to the Group within six months after the end of the six-year period.
- (b) Second Stage—After the end of the first stage and before the Group recovered its additional amount of capital contributions made to Changyi Expressway JV (RMB18.4 million), the Group received all cash distributions of the Expressway JV.
- (c) Third Stage—After the end of the second stage and before the Changyi Expressway JV Partner recovered its additional amount of capital contributions made to Changyi Expressway JV (RMB24.2 million), the Changyi Expressway JV Partner received all cash distributions of the Expressway JV.
- (d) Fourth Stage—After the end of the third stage and before the cumulative cash distributions made to the Changyi Expressway JV Partner reached RMB814.2 million (not taking into account the cash distributions made to the Changyi Expressway JV Partner at the third stage) the Changyi Expressway JV Partner received 70% of the cash distributions and the Group received the remaining 30%.
- (e) Fifth Stage—Between the end of the fourth stage and until expiry of the concession period: the Changyi Expressway JV Partner receives 50% of the cash distributions and the Group receives the remaining 50%.

Operations

Toll collection

The toll collection system for Changyi Expressway is in the form of a closed system with computerised calculation of toll payments. There are seven toll plazas on Changyi Expressway, which contain 54 MTC toll stations and 26 ETC toll stations. The ETC toll stations have been installed in Changyi Expressway since 2009. The toll collection operations are similar for all of the expressways. See “*Business—Our Operating Plan—Toll Collection Operations*” for more details.

Changyi Expressway JV has implemented a number of measures and strategies to improve its toll collection process on Changyi Expressway, including the following:

- **Big-data analysis:** The audit team performs monthly big-data analysis on toll collection data and develops various strategies to reduce the number of vehicles that pass through Changyi Expressway without paying the required tolls.
- **Automatic licence plate recognition:** Changyi Expressway JV developed a High-Resolution Licence Plate Recognition and Monitoring System in accordance with the standards set by the Ministry of Public Security and the Ministry of Transport to effectively track and capture vehicles that pass through Changyi Expressway without paying the required tolls. Such system can also be used in managing, inspecting, analysing, importing and exporting data related to licence plates of the vehicles that pass through the expressway. In addition, the system can automatically collect traffic data from the vehicles using the ETC lanes and analyse them. The system is still in the trial stage but has proven helpful in reducing the number of vehicles that fail to pay the required tolls and in increasing the toll collection rates.
- **“Green passage” inspection system:** Toll-free “green passage” is available to trucks that carry agricultural products. Changyi Expressway JV has implemented an intelligent system using portable inspection cameras to check if trucks are qualified to use the “green passage”. The system has effectively reduced the number of trucks abusing the toll-free lane and also improved the expressway’s toll collection rates.
- **Increased automatic ticketing machines and ETC lanes:** All toll plazas are equipped with automatic ticketing machines and ETC lanes to reduce labour cost. In particular, Changyi Expressway JV has combined the use of MTC and ETC in the same toll lane at Youren toll plaza because there is insufficient land to build ETC-only toll lanes. Such effort has been proven successful as it improved the toll collection efficiency there and also helped reduce labour costs.

Traffic management

In addition to the regular traffic management system (see “*Business—Our Operating Plan—Traffic Management*” for more details), Changyi Expressway JV has implemented a number of measures on Changyi Expressway to increase its efficiency in traffic management, including:

- **Check points for traffic control:** Changyi Expressway JV has collaborated with the Department of Transportation and provided check points at western

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Changsha, Jinzhou, Ningxiang and Chaoyang toll plazas to facilitate traffic control on the expressway.

- **Comprehensive monitoring system:** Changyi Expressway JV has developed a comprehensive digital video surveillance system that utilises the internet, mobile applications and other traffic monitoring platforms to perform data collection and data analysis of the road conditions in real time. Changyi Expressway JV is currently in the process of finalising the installation of the monitoring system.
- **Paperless electronic engineering supervision system:** Changyi Expressway JV has developed the Changyi Electronic Engineering Supervision System that has converted its operations into a paperless environment. The system strengthens data application in different areas, including maintenance, repairing, electrical infrastructure operation and cost analysis of its electronic equipment. This increases the efficiency in managing the operations of infrastructure of the expressway, reduces its operational management costs and increases productivity levels throughout the organisation.

Major repairs and improvements

Maintenance is carried out regularly so that the condition of Changyi Expressway is maintained at a satisfactory level. Changyi Expressway JV has generally separated the maintenance into three categories: routine maintenance, intermediate special project repair and major repair. Routine maintenance includes the inspection of road conditions, minor repairing and emergency repairing. Routine maintenance is subcontracted through an open bidding process. Intermediate special project repair includes targeted repairing work in specific areas of the expressway with general defects or partial or general damages to restore the road conditions. Intermediate special project repair is conducted based on a yearly schedule and carried out by a contractor selected through an open bidding process or solicitation of bids. Major repair includes substantial repair of damaged road pavement or rectification of major structural defects or upgrades of the expressways.

- **Major repairs:** Changyi Expressway underwent major repairs in 2011 and 2012 to upgrade the southern and northern portion of the expressway from cement pavements to asphalt pavements, respectively. The repair has greatly improved the overall ride conditions of the expressway. It has also significantly increased the expressway's resistance to ruts, fatigue, low temperatures and water. The major repair was recognised by the Hunan Provincial Government and an increase in traffic flow subsequent to the major repair was observed.
- **Highway Maintenance Production Management System:** Changyi Expressway JV has implemented the Highway Maintenance Production Management System ("HMPMS"), which utilises the Internet, geographic information system, global positioning system, and the 3G mobile network to streamline the process of routine maintenance. On a daily basis, the cleaning crew visually inspects the road conditions while conducting cleaning services. When a road defect is detected, the crew will take a picture of such defect and upload it to the system. The system informs the maintenance department, who will then perform the necessary repairing work. Pictures of the repaired road will be uploaded back to the system for comprehensive data collection and record keeping. The process of detecting

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and monitoring road damages through HMPMS has digitised the routine maintenance process, shortened the maintenance response time and lessened the need of major repairs.

- **Improvement in Ningxiang toll plaza:** In 2016, the Ningxiang County Government invested in a project to add additional toll lanes at the toll plaza in Ningxiang (from three entry lanes and four exit lanes to five entry lanes and nine exit lanes) and to construct a new office building. The project was completed in July 2016.

As the traffic flow on Changyi Expressway is expected to increase, the Expressway JV will continue to monitor the condition of the expressway to promote its safe and smooth operation.

Management and operational staff

Every three years, the Group appoints three of the seven directors of Changyi Expressway JV. According to the Changyi Expressway JV Contract, the Group appoints the chairman and the deputy general manager of the Expressway JV and the Changyi Expressway JV Partner appoints the vice chairman and the general manager, whose tenures are subject to approval of the board of directors. However, the nomination rights of the chairman and the vice chairman as well as the general manager and the deputy general manager may be switched upon mutual consent of the parties. Currently, the Group nominates the vice chairman and the general manager of the Expressway JV.

As of 31 December 2016, Changyi Expressway JV had approximately 403 employees, of which 355 were in operations and toll collection and 48 were staffed in various other departments. A total of five secondees from the Group were included.

Revenues

The revenue of Changyi Expressway JV primarily represents the Expressway JV's toll revenue derived from the operation of Changyi Expressway. Toll rates for Changyi Expressway are currently in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore principally dependent on traffic volume by vehicle classifications (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

The following table sets out the revenue, cash distributions, operating expenses and EBITDA for Changyi Expressway JV for the years ended 31 December 2014, 2015 and 2016:

	For the years ended 31 December		
	2014	2015	2016
	(HK\$ in millions)		
Toll revenue of the Expressway JV (net of business tax or value-added tax)	652.9	709.6	749.8
Toll operation expenses of the Expressway JV	85.9	99.1	88.8
Administrative expenses of the Expressway JV	26.4	31.2	30.0
EBITDA ⁽¹⁾	545.0	583.7	634.4
Cash distributions to all Expressway JV parties ⁽²⁾	252.6	356.7	386.7

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Notes:

(1) EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV. For Changyi Expressway JV, its other income for the years ended 31 December 2014, 2015 and 2016 was HK\$4.4 million, HK\$4.4 million and HK\$3.4 million, respectively.

EBITDA is not a standard measure under HKFRS. While EBITDA provides an additional financial measure for investors to assess the Expressway JV's operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of its results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JV's operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the Expressway JV and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JV's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

For a reconciliation of the Expressway JVs' toll revenue (net of business or value-added tax) to EBITDA for the periods indicated, see "Financial Information—Historical Non-HKFRS Financial Ratios—Key Financial Ratios".

(2) Comprises the cash distributions to the Group and the Changyi Expressway JV Partner. The profit/cash sharing ratio has been in its fifth stage since May 2007.

Toll rates

The toll rate approval process is similar for all of the expressways. See "Business—Our Operating Plan—Toll Rates and Revenue" for more details. The toll rates currently payable by vehicles using Changyi Expressway are:

Vehicle classification	Trucks (tonne)	Passenger car (seats)	RMB per km
1	Not greater than 2	Not greater than 7	0.40
2	2 to 5 (inclusive)	8 to 19	0.70
3	5 to 10 (inclusive)	20 to 39	1.00
4	10 to 15 (inclusive) ; and 20 feet container	More than 39	1.20
5	More than 15; and 40 feet container		1.40

The toll rates currently payable by trucks using Changyi Expressway are determined by the sum of the vehicle weight and its cargo weight:

Total weight (Column A)	Cargo weight not exceeding the Truck's stated cargo weight limit (Column B)	Cargo weight exceeding the Truck's stated cargo weight limit (Column C)
Standard rate: RMB0.08 per tonne per km		
Less than 10 tonnes	Standard rate applies	<ul style="list-style-type: none"> ● The rate stated in Column B applies to the weight up to the vehicle's stated cargo weight; ● The overweight portion between 0% and 30% of the vehicle's stated cargo weight limit is charged progressively at one to four times the standard rate;
10 – 40 tonnes	The rate progressively decreases from the standard rate to RMB0.04 per tonne per km	<ul style="list-style-type: none"> ● The overweight portion between 30% and 100% of the vehicle's stated cargo limit is charged progressively at four to ten times the standard rate; and
More than 40 tonnes	RMB0.04 per tonne per km	<ul style="list-style-type: none"> ● The overweight portion over 100% of the vehicle's stated cargo limit is charged at ten times the standard rate.

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In addition, Zijiang No.2 Bridge has the following additional charges:

<u>Vehicle category</u>	<u>RMB per Vehicle</u>
1	5.0
2	5.0
3	10.0
4	10.0
5	10.0
Total weight (for trucks)	
Not exceeding 20 tonne	5.0
More than 20 tonne	10.0

Toll Discounts and Exemptions

Drivers of passenger vehicles that select ETC or Xiang Tong Card (湘通卡) as the payment method generally receive a 5% discount in the toll charge while truck drivers with a Xiang Tong Card receive a 2% discount. According to the Hunan Provincial Government's recently enacted legislation "An Act to Further Lower the Cost to the Real-Economy Enterprises (Xiang Zheng Ban Fa [2016] No. 62) 《關於進一步降低實體經濟企業綜合成本實施方案》(湘政辦發[2016]62號)", beginning from 1 October 2016, trucks paying with the Xiang Tong Card began to receive a 10% discount on the toll charges. This legislation is currently valid for one year and is set to expire by the end of September 2017. Certain categories of vehicles are exempt from paying toll charges. The exempt categories include vehicles bearing military registration plates, fire engines, police vehicles, as well as other vehicles performing rescue and relief duties as approved by the government authorities. In addition, trucks that carry agriculture products are allowed to use a "green passage" exemption from paying tolls.

Historical traffic flow and toll receipts

A summary of annual average daily traffic and toll receipts on Changyi Expressway collected by Changyi Expressway JV for the years ended 31 December 2014, 2015 and 2016, is set out below:

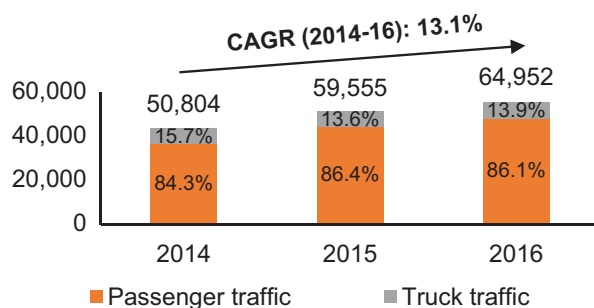
<u>Project</u>	<u>For the years ended 31 December</u>					
	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u>	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u>	<u>Average Daily Traffic</u>	<u>Average Daily Toll Receipts</u>
	<u>(RMB in thousands)</u>		<u>(RMB in thousands)</u>		<u>(RMB in thousands)</u>	
National Expressway G5513						
Changsha-Yiyang Expressway	50,804	1,467.9	59,555	1,603.5	64,952	1,773.1
Passenger traffic	42,852	985.8	51,447	1,165.8	55,942	1,313.4
Truck traffic	7,952	482.1	8,108	437.7	9,010	459.7

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Trends

The following tables set out increases in traffic flow and changes in traffic mix on Changyi Expressway and a more detailed monthly comparison of average daily toll receipts and average daily traffic flow for the years ended 31 December 2014, 2015 and 2016.

Average Daily Traffic of Changyi Expressway



Growth in monthly average daily toll receipts and monthly average daily traffic flow

Month	Average Daily Toll Receipts			Average Daily Traffic Flow		
	2014	2015	2016	2014	2015	2016
	(RMB in thousands)					
January	1,703	1,638	1,834	51,264	52,646	63,419
February	1,465	1,671	1,770	54,897	79,158	78,640
March	1,398	1,623	1,758	43,331	52,991	55,651
April	1,491	1,538	1,661	50,905	58,183	63,003
May	1,412	1,409	1,697	50,798	56,320	57,749
June	1,433	1,571	1,682	46,957	54,405	57,240
July	1,417	1,656	1,725	46,476	59,177	62,012
August	1,508	1,815	1,933	51,992	62,475	68,906
September	1,484	1,649	1,887	51,975	60,984	68,954
October	1,287	1,441	1,540	58,860	67,523	75,083
November	1,480	1,661	1,924	49,556	56,973	64,549
December	1,537	1,575	1,866	52,906	55,478	64,909

Traffic flow and financial forecast

For projections of annual average daily traffic flow and annual average daily toll receipts estimated by WB Group, including the basic approach and key assumptions relating to the forecast, see “Appendix III—Traffic Study Report—Changyi Expressway” for more details.

Recent developments

We are currently working with the Expressway JV Partner to look into the possibility of widening Changyi Expressway. Subject to the government and the Expressway JV’s board approvals, we aim to have the Changyi Expressway JV concession period extended should Changyi Expressway JV invest in the upgrade.

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Competition

Existing and potential competing roads

The Group believes that Changyi Expressway possesses an early-entry advantage as it was built when the region it served was at an early stage of development, which allowed the expressway more degree of freedom in optimising its route. As the region that Changyi Expressway serves has become more developed over the years, the existing build-up in the region will provide the expressway with stable traffic flow in the future.

Changyi Expressway faces the following existing competition:

- **Erliahaote-Guangzhou Expressway Hunan Section:** after Erliahaote-Guangzhou Expressway Hunan section commenced operation at the end of 2016, the route has diverted certain trucks traffic originating from the north of Changde City and the south of Yongzhou City away from Changyi Expressway and the Yiyang-Changde Expressway.

Changyi Expressway faces the following potential competition in the future:

- **Yiyang-Loudi Expressway:** The Yiyang-Loudi Expressway is anticipated to be in operation by the end of 2017. From 2018 onwards, part of the traffic using Changyi Expressway from Jianjiaao interchange to Chaoyang Station would be diverted to Yiyang-Loudi Expressway.
- **The secondary expressways from Changsha to Yiyang and from Yiyang to Changde:** The secondary expressway connecting Changsha and Yiyang will be completed in December 2019 according to its current schedule. The secondary expressway connecting Yiyang and Changde is expected to be completed in 2020 should the construction of it commence in 2017. According to WB Group, the new expressways are expected to divert certain traffic flow away from Changyi Expressway and have a moderately negative effect on it, as they will pass through less developed areas.
- **Chongqing-Changsha-Xiamen high-speed railway:** The high-speed rail line connecting Changsha and Changde, a section of the Chongqing-Changsha-Xiamen high-speed railway, is currently under construction and expected to be in operation in 2021. According to WB Group, some long-distance travellers currently using Changyi Expressway may choose the railway over the expressway, diverting certain passenger traffic away from Changyi Expressway.

Prospects

Prospects for Hunan

According to the Thirteenth Five-Year Plan, the GDP of Hunan Province is expected to increase approximately at a CAGR of 8.5% from 2017 to 2020. In addition, we expect that Hunan Province will benefit from the “One Belt, One Road” initiative and the “Yangtze River Economic Belt Development” policy. Under the “One Belt, One Road” initiative, Hunan will focus on, among others, technical innovation and coordinated urban-rural development. Under the “Yangtze River Economic Belt Development” initiative, regions along the Yangtze

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River are expected to accommodate industries migrated from the coastal areas, thereby promoting integrated economic development along the Yangtze River. See “*Industry Overview—The Economy of China and Hebei, Hunan, Shanxi and Anhui Province—Hunan Province*” for more details.

Factors specific to Changyi Expressway

The continued development of the national-level economic development zones along the expressway: According to WB Group, Changyi Expressway largely serves intra-region traffic demands. Historically, the expressway has benefitted from the three national-level economic development zones it serves, which have become more economically developed. The Group believes that Changyi Expressway will benefit from the continued development of these economic development zones, which we believe will provide the expressway with stable traffic flow.

See “*Appendix III — Traffic Study Report—Changyi Expressway*” for more details.

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PROVINCIAL EXPRESSWAY S60 YUCI LONGBAI VILLAGE-CHENGZHAO, QI COUNTY EXPRESSWAY (“LONGCHENG EXPRESSWAY”)

The Group has a 45% equity interest in Longcheng Expressway in Shanxi Province and receives 45% of the cash distributions generated from this expressway. The Group's interest in Longcheng Expressway is held through a joint venture in partnership with the Longcheng Expressway JV Partners. Longcheng Expressway is fully operational and has been collecting tolls since 2012. For a brief description of Longcheng Expressway, see “Business—The Five Existing Expressway Projects—Longcheng Expressway”.

The Road



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Key Data

Route	Provincial Expressway S60 Yuci Longbai Village—Chengzhao, Qi County Expressway		
Total Length	72 km		
Classification	Expressway		
Number of lanes	6 lanes		
Design speed	100 km per hour		
Design capacity	91,000 vehicles per day		
Toll system	Closed system		
Number of toll plazas	3		
Number of interchanges	3		
Average daily gross toll revenue in 2016	RMB0.7 million		
Average daily traffic (vehicles) in 2016	17,274 vehicles		
Of passenger vehicles	12,592		
Of trucks	4,682		
Expressway JV partners	Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (“JZPI”, previously Jinzhong Public Infrastructure Investment and Construction Company Limited) and Jinzhong Lutong Highway Development Company Limited (“JZLT”) ⁽¹⁾		
Expressway JV concession period	30 years		
Expressway JV expiry date	June 2041 (extendable upon mutual consent)		
Concession period expiry date	July 2042		
The Group’s total investment	RMB660.2 million		
The Group’s equity interest	45%		
Current profit/cash sharing ratio to the Group	45%		
Cash distributions received by the Group in 2014-2016	Nil		
Status	Fully operational, collecting tolls		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
MQI	96.1	95.5	96.0

Note:

(1) The board of Longcheng Expressway JV approved a partial equity transfer by JZPI on 15 February 2017. See “—Recent Developments—Equity Transfer” for more details.

Destinations and Major Connections

- **Taiyuan City:** Located in the north-eastern part of Shanxi Province, Taiyuan City is the capital of the province as well as its political, economic, cultural and communication centre. It is also known for steel (especially stainless steel) production.
- **Jinzhong City:** Located in the central area of Shanxi Province, Jinzhong City is both a railway and a highway hub, which also facilitates the development of tourism there. As an industrial town, the machinery, coal, metallurgy and chemical industries are the growth drivers of the city.
- **Yuci, Taigu County and Qi County:** Similar to Jinzhong City, with a major malleable cast iron production base in Taigu County and a provincial-level

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economic development zone in Qi County, these areas also have a strong industrial foundation. Longcheng Expressway has benefited from the economic development in the region.

- **Taiyuan-Jiuguan Expressway and Datong-Yuncheng Expressway:** The inter-connection between Longcheng Expressway and these expressways, as well as several national and provincial highways and expressways, feed Longcheng Expressway with traffic flow from the southern region of Taiyuan and Jinzhong.

Interchanges

Longcheng Expressway currently has three interchanges which connect Longcheng Expressway to the major connecting roads including Taiyuan-Jiuguan Expressway, Datong-Yuncheng Expressway and Taiyuan-Changzhi Expressway, forming the shortest expressway route linking Shijiazhuang and various cities in Shanxi, such as Linfen and Yuncheng, as well as Xi'an, the capital of Shaanxi. Longcheng Expressway JV currently plans to build a new interchange, the Longhu Interchange, between the Longbai Interchange and Jinzhong East toll plaza. See “— *Recent Developments*” for more details.

Joint Venture and Project Management Arrangements

The Longcheng Expressway project was established by the Group as a joint venture in partnership with JZPI and JZLT, beginning in June 2011 and expiring in June 2041. The term of Longcheng Expressway JV may be extended with both the approval of all parties and approvals of the relevant government authorities. The Group has a 45% equity interest in Longcheng Expressway JV and receives 45% of the cash distributions generated from this expressway, while the Longcheng Expressway JV Partners collectively have 55% equity interests and receive 55% of the cash distributions. Both Longcheng Expressway JV Partners are registered in Shanxi.

Under the Longcheng Expressway JV Contract, the board of directors of Longcheng Expressway JV is composed of eight directors, of which four are appointed by JZPI, three are appointed by the Group and one is appointed by JZLT. Certain significant matters require unanimous approval by all directors present at the meeting of the board of directors, including (i) a change to the articles of association of the Expressway JV, (ii) the appointment and termination of the general manager, deputy general manager and other senior management personnel, (iii) an increase in or transfer of the registered capital of the Expressway JV, (iv) a sale, transfer or pledge of any asset of the Expressway JV, (v) a merger or spin-off related to the Expressway JV, and (vi) termination or winding up of the Expressway JV. Except for the matters on which unanimous approval is required, board decisions of the Longcheng Expressway JV require an approval of more than two-thirds of its directors present at the board meeting.

Transfer restrictions

Pursuant to the Longcheng Expressway JV Contract, neither party shall transfer, sell or pledge any asset without the consent of the other parties. If one party is interested in transferring its registered capital, such party shall provide a written notice to the other parties which contains the relevant terms and conditions of the transfer, and written consents of the other parties as well as the Jinzhong Municipal Government is required. The other parties

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shall have the right of first refusal to acquire such registered capital for 30 days. If more than one party elects to exercise such right, they shall acquire the registered capital in accordance with their registered capital contribution ratio. Upon the expiration of the 30-day period, the registered capital may be transferred to a third party on terms and conditions not worse than those stated in the written notice. Such transfer requires the unanimous approval of all directors of Longcheng Expressway JV and must be registered and approved by relevant government authorities.

Termination rights

Pursuant to the Longcheng Expressway JV Contract, Longcheng Expressway JV may be terminated before the end of the concession period upon the unanimous approval of its board and the approvals from relevant government authorities when: (i) the Expressway JV's assets are insufficient to meet its debt obligations as they become due and its failure to turnaround from loss to profits within a reasonable time; (ii) all parties agree that the termination of the Longcheng Expressway JV Contract is in their best interests; (iii) a party materially breaches the Longcheng Expressway JV Contract and fails to remedy the breach within three months upon notice from the non-breaching parties; (iv) the Expressway JV or any of the parties has declared bankruptcy, become a target of dissolution, ceased its operation or become incapable of meeting its debt obligations as they become due; (v) a party transfers its registered capital in violation of the Longcheng Expressway JV Contract; (vi) the parties are unable to perform under the Longcheng Expressway JV Contract as a result of an event of force majeure or incurable losses to the Expressway JV; or (vii) the occurrence of an event of force majeure or another event which severely affects the normal operation of the Expressway JV and lasts more than 18 months and the parties cannot find a fair solution.

In the event of an early termination, the board of directors must appoint a dissolution committee to wind up the Longcheng Expressway JV's assets, rights and obligations in accordance with relevant PRC laws. The dissolution committee shall obtain the highest valuation for the Expressway JV's assets and operating rights and may, if permitted by law, invite bids for some or all of the assets and operating rights of the Expressway JV. After Longcheng Expressway JV pays all of its debts, taxes or government fees, the residual surplus assets shall be distributed to the joint venture parties in proportion to their respective capital contribution ratio.

For a summary of other major provisions of the Longcheng Expressway JV Contract, see "*Business—Our Operating Plan—Expressway JV Contract terms*".

Project Concession

Longcheng Expressway JV has the concession right to operate Longcheng Expressway for 30 years commencing from July 2012. At the expiration of the concession and operating period in July 2042, the Longcheng Expressway JV will transfer the road facilities (including the ancillary facilities, all of which must be in good condition) to the relevant government authorities and the remaining assets will be distributed to the joint venture parties in proportion to their respective registered capital contribution ratio upon the Expressway JV's dissolution.

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Financing

The total investment amount for Longcheng Expressway JV (save the shareholder loans mentioned below) was RMB4,247.7 million. This was funded by (i) approximately RMB1,467.0 million of registered capital, of which the Group contributed 45.0% and the Longcheng Expressway JV Partners contributed 55.0%, and (ii) approximately RMB2,780.7 million of bank loans incurred by Longcheng Expressway JV. The Group's total investment related to Longcheng Expressway JV's establishment was RMB660.2 million, all of which was related to the Expressway JV's registered capital.

In addition, RMB155.0 million of shareholder loans were made to Longcheng Expressway JV for liquidity support, of which we contributed RMB70.0 million and the Longcheng Expressway JV Partners contributed RMB85.0 million.

As of 31 December 2016, Longcheng Expressway JV had HK\$177.0 million of shareholder loans and HK\$3,143.5 million of bank loans outstanding.

Cash Distributions

The Longcheng Expressway JV Contract provides that Longcheng Expressway JV shall make periodic cash distributions subject to availability in accordance with the parties' registered capital distribution ratio. The Expressway JV's cash available for distribution is the sum of (i) the toll receipts, (ii) the fees generated from the ancillary road facilities, and (iii) other relevant income, after deducting the relevant operational and maintenance costs, daily working capital, welfare funds and taxes.

Operations

Toll collection

The toll collection system for Longcheng Expressway is in the form of a closed system with computerised calculation of toll payments. There are three toll plazas on Longcheng Expressway, which contain 22 MTC toll stations and six ETC toll stations. The ETC toll stations have been installed in Longcheng Expressway since 2012. The toll collection operations are similar for all of the expressways. See "*Business—Our Operating Plan—Toll Collection Operations*" for more details.

Longcheng Expressway JV has implemented the following procedure to improve the toll collection process on Longcheng Expressway:

- **Using big-data analysis to verify toll payments:** Longcheng Expressway JV verifies the tolls paid by trucks by conducting audits of the toll transactional records; it also focuses on toll-evading vehicles, "green passage" vehicles and vehicles claiming to be on official businesses for possible toll evasions. Longcheng Expressway JV coordinates with traffic patrol police to pursue and intercept toll-evading vehicles.

Traffic management

In addition to the regular traffic management system (see "*Business—Our Operating Plan—Traffic Management*" for more details), Longcheng Expressway JV has implemented a

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number of measures on Longcheng Expressway to increase its efficiency in traffic management, including:

- **Traffic flow control:** To ensure the smooth operation of the expressway, Longcheng Expressway JV has set up toll lanes dedicated to light passenger vehicles, “green-passage” trucks as well as ETC users at the toll plazas. When the expressway encounters high traffic flow, Longcheng Expressway JV has a plan in place to separate passenger vehicles and trucks at the toll plazas to increase the efficiency of the toll operations.
- **Coordination with Department of Transportation:** The Jinzhong Municipal Government has restricted medium to heavy trucks from using the eastern, southern and western sections of the outer-ring road of Jinzhong City, effectively diverting the traffic to Longcheng Expressway.
- **Standardised customer services:** Longcheng Expressway JV has adhered to the service standards set by the relevant government authorities and strives to provide high-quality services to motorists travelling on Longcheng Expressway.
- **Emergency response plans:** Longcheng Expressway JV has emergency response plans in place for traffic accidents, adverse weather conditions, natural disasters and other events to ensure smooth operations and minimise traffic congestions and disruptions. Equipment, personnel and other resources are also available to respond to these situations. In particular, the Expressway JV strives to clear out the snow on the six lanes of the expressway within six hours after the snow stops so that the expressway may resume its normal operations.
- **Intelligent operation management system:** Longcheng Expressway JV has developed a barcode system in the management, inspection and maintenance of the mechanical and electrical fixed assets. The barcode system has streamlined the process of purchasing, repairing and disposing its assets, which improves the efficiency of the daily operations.

Major repairs and improvements

Maintenance is carried out regularly so that the condition of Longcheng Expressway is maintained at a satisfactory level. As Longcheng Expressway is relatively new, no major or intermediate repair has taken place. Longcheng Expressway JV has thus far carried out routine maintenance on the expressway. Routine maintenance includes daily cleaning and inspection of road conditions, minor repairing and other preventative measures. The routine maintenance work of Longcheng Expressway is carried out by a third-party under contract. The Group believes that this measure saves Longcheng Expressway JV equipment acquisition and maintenance costs as well as labour costs.

Management and operational staff

Every three years, the Group appoints three out of eight directors of Longcheng Expressway JV. The Group and JZPI take turns to appoint the chairman and the vice chairman of the board of directors. After the expressway commenced operation, the party between the Group and JZPI that is not appointing the chairman of the Expressway JV appoints the general manger; the other appoints the deputy general manager. The tenures of

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the general manager and the deputy general manager are subject to approval of the board of directors.

As of 31 December 2016, Longcheng Expressway JV had approximately 248 employees, of which 128 were in operations and toll collection, 16 were in administration and human resources and 104 were staffed in various other departments. A total of eight secondees from the Group were included.

Revenues

The revenue of Longcheng Expressway JV primarily represents Longcheng Expressway JV's toll revenue derived from the operation of Longcheng Expressway. Longcheng Expressway JV also derives revenue from its leasing and advertising services. Toll rates for Longcheng Expressway in Shanxi Province are currently in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore principally dependent on traffic volume by vehicle classifications (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

The following table sets out the revenue, cash distributions, operating expenses and EBITDA for the Longcheng Expressway JV for the years ended 31 December 2014, 2015 and 2016:

	For the years ended 31 December		
	2014	2015	2016
	(HK\$ in millions)		
Toll revenue of the Expressway JV (net of business tax or value-added tax)	207.4	242.0	316.6
Toll operation expenses of the Expressway JV	29.7	48.6	52.7
Administrative expenses of the Expressway JV	13.7	10.6	11.7
EBITDA ⁽¹⁾	170.2	186.4	253.5
Cash distributions to all Expressway JV parties	—	—	—

Note:

(1) EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV. For Longcheng Expressway JV, its other income for the years ended 31 December 2014, 2015 and 2016 was HK\$6.2 million, HK\$3.6 million and HK\$1.3 million, respectively.

EBITDA is not a standard measure under HKFRS. While EBITDA provides an additional financial measure for investors to assess the Expressway JV's operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of its results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JV's operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the Expressway JV and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JV's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

For a reconciliation of the Expressway JVs' toll revenue (net of business or value-added tax) to EBITDA for the periods indicated, see "Financial Information—Historical Non-HKFRS Financial Ratios—Key Financial Ratios".

Lease and Advertising Income

Longcheng Expressway generates a relatively small amount of additional revenue from the lease of certain facilities at the service plaza and advertising services. Longcheng Expressway has one service plaza located in Taigu County that provides 24-hour service to the passing motorists. Longcheng Expressway JV has contracted the operation and

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management of certain facilities at the service plaza to third parties. In addition, it leases out billboards along the expressway. The lease and advertising income for the years ended 2014, 2015 and 2016 was RMB4.6 million, RMB2.8 million and RMB1.0 million, respectively. The Group expects that its leasing and advertising income will increase as a result of the increased traffic flow.

Toll rates

The toll rate approval process is similar for all of the expressways. See “*Business—Our Operating Plan—Toll Rates and Revenue*” for more details. The toll rates currently payable by vehicles using Longcheng Expressway are:

Vehicle classification	Trucks (tonne)	Passenger car (seats)	RMB per km
1	Not greater than 2	Not greater than 7	0.36
2	2 to 5 (inclusive)	8 to 19	0.54
3	5 to 10 (inclusive)	20 to 39	0.87
4	10 to 15 (inclusive) 20-foot container	More than 40	1.41
5	More than 15 40-foot container		1.86

The toll rates currently payable by trucks using Longcheng Expressway are determined by the sum of the vehicle weight and its cargo weight:

Total weight (Column A)	Cargo weight not exceeding the Truck’s stated cargo weight limit (Column B)	Cargo weight exceeding the Truck’s stated cargo weight limit (Column C)
Standard rate: RMB0.09 per tonne per km		
Not greater than 10 tonnes	Standard rate applies (all trucks with cargo weight of less than four tonnes will be charged at the four-tonne rate)	<ul style="list-style-type: none"> ● The rate stated in Column B applies to the weight up to the vehicle’s stated cargo weight; ● The overweight portion between 0% and 30% of the vehicle’s stated cargo weight limit is charged progressively at one to two times the standard rate; ● The overweight portion between 30% and 50% of the vehicle’s stated cargo limit is charged progressively at three to six times the standard rate;
Greater than 10 and less than or equal to 49 tonnes	The rate progressively decreases from the standard rate to RMB0.063 per tonne per km	<ul style="list-style-type: none"> ● The overweight portion between 50% and 100% of the vehicle’s stated cargo limit is charged progressively at eight to ten times the standard rate; and ● The overweight portion exceeding 100% of the vehicle’s stated cargo limit is charged at 16 times the standard rate.

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Toll Discounts and Exemptions

Motorists that select ETC as the payment method will generally receive a 5% discount in the toll charge. Certain categories of vehicles are exempt from paying toll charges. The exempt categories include vehicles bearing military registration plates, fire engines, police vehicles, as well as other vehicles performing rescue and relief duties as approved by the government authorities. In addition, trucks that carry agriculture products are allowed to use a “green passage” exemption from paying tolls.

Historical traffic flow and toll receipts

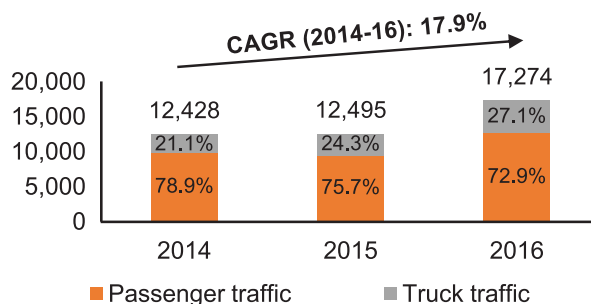
A summary of annual average daily traffic and toll receipts collected by Longcheng Expressway JV for the years ended 31 December 2014, 2015 and 2016 is set out below:

Project	For the years ended 31 December					
	2014		2015		2016	
	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)	Average Daily Traffic	Average Daily Toll Receipts (RMB in thousands)
Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi						
County Expressway	12,428	467.4	12,495	547.4	17,274	749.2
Passenger traffic	9,811	202.4	9,463	158.4	12,592	185.7
Truck traffic	2,617	265.0	3,032	389.0	4,682	563.5

Trends

During the Track Record Period, Longcheng Expressway’s traffic flow primarily consists of small passenger vehicles and heavy trucks. The following tables set out changes in traffic flow and changes in traffic mix on Longcheng Expressway and a more detailed monthly comparison of average daily toll receipts and average daily traffic flow for the years ended 31 December 2014, 2015 and 2016.

Average Daily Traffic of Longcheng Expressway



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Growth in monthly average daily toll receipts and monthly average daily traffic flow

Month	Average Daily Toll Receipts			Average Daily Traffic Flow		
	2014	2015	2016	2014	2015	2016
	(RMB in thousands)					
January	418	449	550	13,415	11,017	13,257
February	281	395	457	8,528	10,285	11,588
March	405	452	692	10,064	10,188	15,590
April	428	405	706	11,650	10,194	17,033
May	474	486	755	13,199	13,060	18,873
June	479	480	790	13,350	13,450	18,195
July	531	468	702	12,055	11,959	14,856
August	549	621	790	12,699	15,655	18,447
September	538	626	917	13,091	17,175	21,680
October	471	577	750	14,092	14,329	18,040
November	519	550	833	13,716	13,533	20,129
December	501	1,040 ⁽¹⁾	988	12,965	9,022	19,492

Note:

(1) Include a refund of the average daily toll receipts of RMB577,000 associated with the closure of the southern section of the outer-ring road of Taiyuan.

Traffic flow and financial forecast

For projections of annual average daily traffic flow and annual average daily toll receipts estimated by WB Group, including the basic approach and key assumptions relating to the forecast, see “Appendix III—Traffic Study Report—Longcheng Expressway” for more details.

Recent Developments

New Interchange

Longcheng Expressway JV currently plans to build a new interchange, the Longhu Interchange, between the Longbai Interchange and Jinzhong East toll plaza. The project will include the constructions of an interchange, additional toll plazas and ancillary facilities. The total cost of the project is currently anticipated to be RMB90.0 million. Currently, it is expected to commence operation sometime between 2017 and 2018. According to Jinzhong’s current development plan, the Group anticipates that this new interchange will serve as an important gateway to the city of Jinzhong. With the diversified developments located along the road connecting Jinzhong and Longcheng Expressway such as alternative-fuel vehicle production facilities and new college towns, the Group anticipates that the Longhu Interchange will bring additional traffic flow to Longcheng Expressway.

Equity Transfer

The board of directors of Longcheng Expressway JV approved by way of written resolutions dated 15 February 2017 the proposed transfer by JZPI of 3.02% (out of 54.02%) of its equity interest to Shanxi Jinzhong Road and Bridge Development Group Company Limited (山西省晉中路橋建設集團有限公司, “JZRB”). The percentages of registered capital held by JZPI and JZRB (as a new Longcheng Expressway JV Partner) are to be changed accordingly. The percentage of equity interest and registered capital held by our Group and JZLT are to remain unchanged. The existing management model and ratio of directors from

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our Group and JZPI are to remain unchanged. As of the Latest Practicable Date, such proposed transfer has not yet come into effect, as it is subject to completion of approval procedures.

Competition

Existing and potential competing roads

The Group believes that Longcheng Expressway possesses an early-entry advantage as the Group has had an established relationship with the local government authorities since 1996. Longcheng Expressway JV has also established strong and long-term relationships with relevant government authorities in Shanxi Province. The Group believes that the strong local partnerships will enable the Expressway JV to operate more smoothly.

Longcheng Expressway currently faces the following existing competition:

- **Certain sections of the outer-ring road of Jinzhong City:** Certain sections of the outer-ring road of Jinzhong run parallel to Longcheng Expressway and have diverted the traffic flow of Longcheng Expressway. This is partially offset by the effect of Jinzhong Municipal Government's restriction on medium to heavy trucks from using the eastern, western and southern sections of the outer-ring road, which in turn diverted medium to heavy trucks to Longcheng Expressway.

According to WB Group, the current road network plan for the region does not contemplate the construction of any additional material competing road against Longcheng Expressway.

Prospects

Prospects for Shanxi

According to the Thirteenth Five-Year Plan, the GDP of Shanxi Province is expected to increase approximately at a CAGR of 6.5% from 2017 to 2020. In addition, we expect that Shanxi Province will benefit from the "One Belt, One Road" initiative. Under the "One Belt, One Road" initiative, Shanxi targets to promote its coal and mineral mining industry and other industries such as textile manufacturing and automobile production and boost their exports to neighbouring countries and the rest of Eurasia. See "*Industry Overview—The Economy of China and Hebei, Hunan, Shanxi and Anhui Province—Shanxi Province*" for more details.

Factors specific to Longcheng Expressway

- **Beneficial connecting roads and expanded highway and expressway network:** According to WB Group, the expected opening of three more expressways directly connecting with Longcheng Expressway, namely Qi County—Lishi Expressway in 2019 and the openings of Yuci—Xiyang Expressway and the east, west and north sections of No.2 Ring Expressway of Taiyuan in 2020 will all attract traffic flow to these newly built expressways and have a positive impact on the traffic flow of Longcheng Expressway, increasing its reach. In addition, with the government's stated goal to expand the highway and expressway network in Shanxi to over 150,000 km by 2020, Longcheng Expressway is expected to benefit from the increased connectivity.

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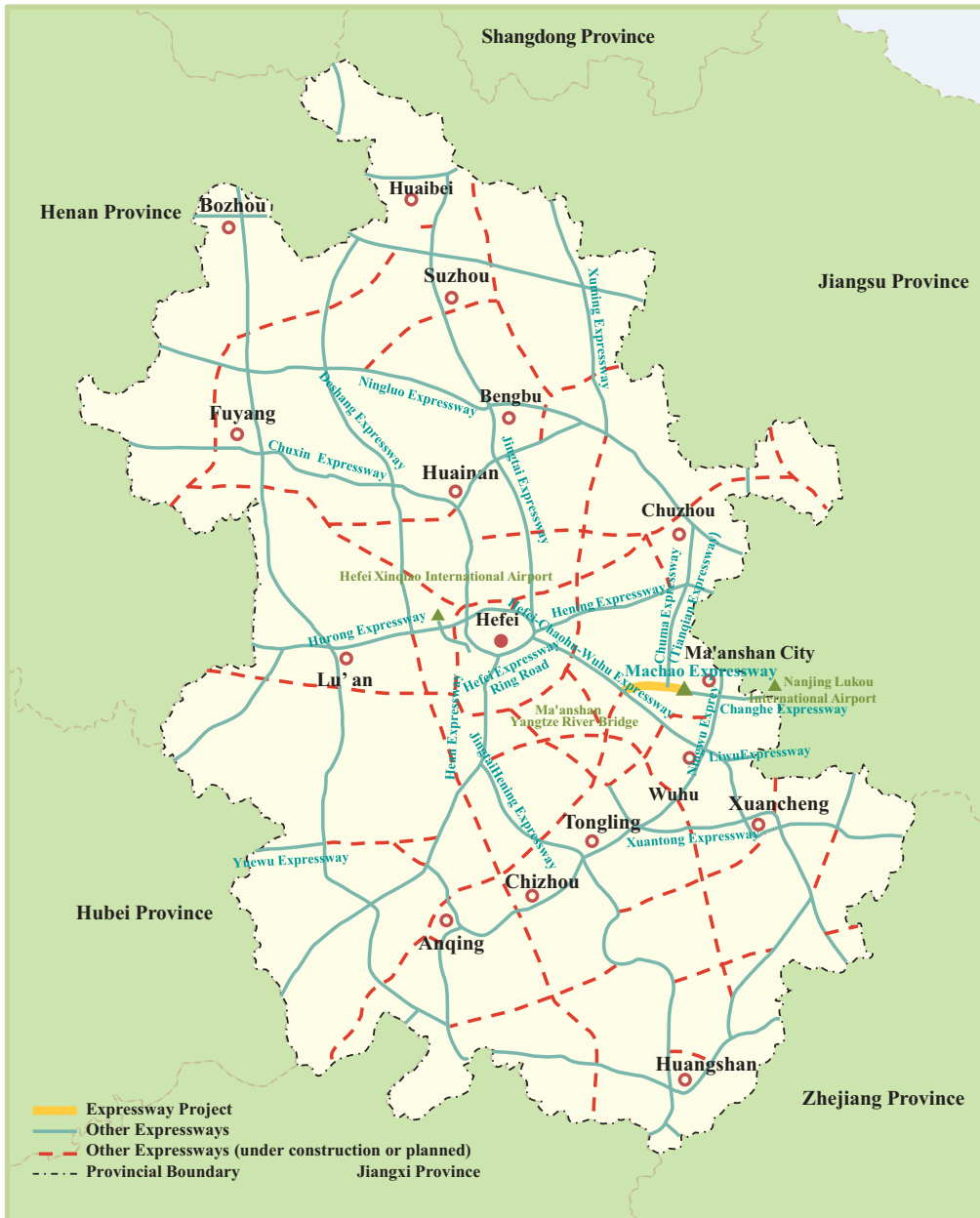
- **Further development of Taiyuan:** Taiyuan, the capital city of Shanxi Province and the economic centre of the province, is also expected to experience further economic growth in the future. Longcheng Expressway will benefit from the growing economy in Taiyuan and Shanxi as well as the further urbanisation of the area.
- **The construction of the new town for technological innovation and alternative-fuel vehicle production facility:** The new town for technological innovation next to the Taiyuan Wusu International Airport is currently under construction and will commence operation in 2020. Concurrently, the construction of alternative-fuel vehicle production facilities in Jinzhong City is also currently underway and will commence operation sometime between 2017 and 2018. According to WB Group, these new development will have a positive impact on the traffic flow of Longcheng Expressway, as it serves Jinzhong City and the greater Taiyuan economic circle.

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PROVINCIAL EXPRESSWAY S24 MA'ANSHAN-CHAOHU ("MACHAO EXPRESSWAY")

The Group has a 49% equity interest in Machao Expressway and receives 49% of the cash distributions generated from this expressway. The Group's interest is held through a joint venture in partnership with the Machao Expressway JV Partner. Machao Expressway is fully operational and has been collecting tolls since the end of 2013. For a brief description of Machao Expressway, see "Business—The Five Existing Expressway Projects—Machao Expressway".

The Road



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Key Data

Route	Provincial Expressway S24 Ma'anshan-Chaohu Expressway
Total Length	36 km
Classification	Expressway
Number of lanes	6 lanes
Design speed	100-120 km per hour
Design capacity	93,000 vehicles per day
Toll system	Closed system
Number of toll plazas	1
Number of interchanges	2
Average daily gross toll revenue for the year ended 31 December 2016	RMB0.5 million
Weighted average daily section traffic (vehicles) ⁽¹⁾ for the year ended 31 December 2016	17,695 vehicles
Of passenger vehicles	12,244
Of trucks	5,451
Expressway JV partner	Anhui Transportation Holding Group Company Limited (previously Anhui Transportation Investment Group Company Limited)
Expressway JV concession period	30 years
Expressway JV expiry date	May 2044
Concession period expiry date	December 2043
The Group's total investment	RMB580.3 million
The Group's equity interest	49%
Current profit/cash sharing ratio to the Group	49%
Cash distributions received by the Group in 2014-2016	Nil
Status	Fully operational, collecting tolls

	<u>2014</u>	<u>2015</u>	<u>2016</u>
MQI	98.1	97.9	97.6

Destinations and Major Connections

- **Ma'anshan City:** Ma'anshan City is one of the major gateways to Anhui Province. It borders Nanjing and the Yangtze River Delta region to the east. Ma'anshan City has two national-level development zones and seven provincial-level development zones. The city is one of the largest steel production bases in the PRC and has one of the largest ports along the Yangtze River.
- **Hefei City:** Hefei City is the capital and the largest city of Anhui Province. Geographically, it is located in central Anhui. It is the first national-level pilot city for technological innovations and an attractive tourist location.
- **Hefei-Chaohu-Wuhu Expressway:** This expressway is one of the two major north-south expressway routes that run through Anhui Province and a connecting line to

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Shanghai-Chongqing Highway, forming an important section of the national highway and expressway network. Hefei-Chaohu-Wuhu Expressway is directly connected to Machao Expressway.

Interchanges

Machao Expressway currently has two interchanges which connect Machao Expressway to S22 Tianqian Expressway and G4211 Ningwu Expressway linking the Hefei to the highly populous cities in the Yangtze River Delta including Nanjing, Changzhou, Wuxi, Suzhou and Shanghai.

Joint Venture and Project Management Arrangements

The Machao Expressway project was established by the Group as a joint venture in partnership with Anhui Transportation Holding Group Company Limited (previously Anhui Transportation Investment Group Company Limited) as the Group's PRC partner, beginning in May 2014 and expiring in May 2044. The term of Machao Expressway JV may be extended with both the approval of both parties and approvals of the relevant government authorities. The Group has a 49% equity interest in Machao Expressway and receives 49% of the cash distributions generated from the expressway, while the Machao Expressway JV Partner has a 51% equity interest and receives 51% of the cash distributions. The Machao Expressway JV Partner is registered in Anhui.

Under the Machao Expressway JV Contract, the board of directors of Machao Expressway JV is composed of five directors, of which three are appointed by the Machao Expressway JV Partner and two are appointed by the Group. Certain significant matters require a unanimous approval of all directors of the Expressway JV, including (i) a change to the articles of association of the Expressway JV, (ii) termination, dissolution or extension of the Expressway JV, (iii) an increase or decrease in the registered capital of the Expressway JV, (iv) a merger or spin-off related to the Expressway JV, and (v) a sale, transfer or pledge of the assets of the Expressway JV. Except for the matters on which a unanimous approval is required, board decisions of Machao Expressway JV will require an approval of a two-thirds majority of its directors who are present at a meeting that has at least two-thirds of all directors of the board (with at least one director from each side) attending.

Transfer restrictions

Pursuant to the Machao Expressway JV Contract, within the concession period, if the registered capital of Machao Expressway JV needs to be increased, or if a board resolution is passed for an increase in the Expressway JV's registered capital, the parties shall make additional contributions in accordance with their share of the Expressway JV's equity. If one of the parties fails to make such contribution for any reason, the other party may fund the shortfall. The parties' shares in the Expressway JV's registered capital shall change accordingly. Within the concession period, assets (including the fixed assets and other assets owned or generated by Machao Expressway JV) shall belong to Machao Expressway JV and neither party shall transfer, sell or pledge any asset without the consent of the other party. If one party is interested in transferring its right in the Expressway JV, a written consent of the other party is required. If one party is interested in transferring its registered capital, such party shall provide a written notice to the other party which contains the relevant terms and

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conditions of the transfer. The other party shall have the right of first refusal for 30 days, after which the registered capital may be transferred to a third party on terms and conditions not worse than those stated in the written notice. Such transfer requires the unanimous approval of all directors of Machao Expressway JV and must be registered and approved by relevant government authorities.

Termination rights

Pursuant to the Machao Expressway JV Contract, Machao Expressway JV may be terminated before the end of the concession period when: (i) the Expressway JV incurs significant losses and is unable to continue to operate; (ii) the Expressway JV is unable to operate due to a party's breach under this contract or the Expressway JV's articles of association; (iii) an event of war, natural disaster or other force majeure that results in significant losses to the Expressway JV and causes it to be unable to operate; or (iv) the parties agree to terminate the Expressway JV early for other reasons. An early termination generally requires a unanimous approval of its board and approvals of relevant government authorities.

In the event of an early termination, the board of directors must appoint a dissolution committee to wind up Machao Expressway JV's assets, rights and obligations in accordance with relevant PRC laws. After the Expressway JV pays all of its debts, taxes or government fees, the remaining assets shall be distributed to the parties in proportion to their respective equity contribution ratio.

For a summary of other major provisions of the Machao Expressway JV Contract, see "*Business—Our Operating Plan—Expressway JV Contract terms*".

Project Concession

Machao Expressway JV has the concession right to operate Machao Expressway for 30 years from December 2013. If both parties agree to renew the Machao Expressway JV Contract, the parties must submit relevant documents for government approval six months prior to the expiration of the concession period. If the toll collection period is subsequently adjusted due to changes in government policies, the parties shall change the concession period in accordance with the adjusted toll collection period. At the expiration of the concession and operating period in December 2043, Machao Expressway JV will transfer the fixed assets related to the initial construction of Machao Expressway to the Machao Expressway JV Partner. Other assets (including the fixed and non-fixed assets subsequently invested by the parties) will be distributed to the parties in proportion to their respective equity investment ratio upon the Machao Expressway JV's dissolution.

Financing

The total investment amount for Machao Expressway JV was RMB2,360.1 million. This was funded by (i) approximately RMB575.0 million of registered capital, of which the Group contributed 49% and the Machao Expressway JV Partner contributed 51%; and (ii) approximately RMB1,785.1 million bank loans incurred by Machao Expressway JV. The Group's total investment related to Machao Expressway JV's establishment was RMB580.3 million, comprising (i) RMB281.8 million related to Machao Expressway JV's registered

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capital, (ii) RMB153.0 million related to Machao Expressway JV's acquisition premium, and (iii) RMB145.5 million related to subsequent contributions made in 2016 (see note 16 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for more details). The Group's contributions were partially netted off against its receivables from the disposal of interests in certain highway joint ventures in Anhui. See note 18 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for more details.

As of 31 December 2016, Machao Expressway JV had no shareholder loans and HK\$1,908.3 million of bank loans outstanding.

Cash Distributions

The Machao Expressway JV Contract provides that the Expressway JV shall make periodic cash distributions subject to availability in accordance with the parties' registered capital distribution ratio. Machao Expressway JV's cash available for distribution is the sum of (i) the toll receipts, (ii) the fees generated from the ancillary road facilities, and (iii) other relevant incomes, after deducting the relevant operational and finance costs, management fees, maintenance and repair costs, amortisation costs, daily working capital, certain funds and taxes.

Operations

Toll collection

The toll collection system for Machao Expressway is in the form of a closed system with computerised calculation of toll payments. There is one toll plaza on Machao Expressway, which contains six MTC toll stations and two ETC toll stations. The ETC toll stations have been installed in Machao Expressway since 2013. The toll collection operations are similar for all of the expressways. See "*Business—Our Operating Plan—Toll Collection Operations*" for more details.

Machao Expressway JV has implemented many procedures to improve the toll collection process on Machao Expressway, including the following:

- **Comprehensive monitoring system:** Machao Expressway JV has installed a comprehensive monitoring system where multiple high-resolution digital surveillance video cameras are placed along the Expressway, enabling car accidents and other traffic disruptions to be dealt with more swiftly and effectively.
- **Toll collection simulation training:** Machao Expressway JV has developed a simulation training system to improve the staff's efficiency in toll collection. The system simulates the environment at a toll plaza and enables the toll collectors to be trained in different scenarios, including situations involving rare and common mistakes. The simulation training has significantly improved the staff's performance in toll collection and the error rate has reduced.
- **Improved customer services:** Machao Expressway JV has implemented multiple layers of appraisal and other review mechanisms aimed at improving customer services offered at the toll plaza. By promoting "services with a smile" at the toll

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plaza, the Group believes that these mechanisms have improved the quality of the customer services there.

Traffic management

In addition to the regular traffic management system (see “*Business—Our Operating Plan—Traffic Management*” for more details), Machao Expressway JV has implemented the following measures on Machao Expressway to increase its efficiency in traffic management, including:

- **Emergency response plans:** Machao Expressway JV has emergency response plans in place for traffic accidents, adverse weather conditions, natural disasters and other events to ensure smooth operations and to minimise traffic congestions and disruptions. It regularly conducts exercises to improve the response readiness of the responders under these scenarios. Equipment, personnel and other resources are also available to respond to these situations.
- **Coordination with the local expressway patrol department:** Machao Expressway JV has an arrangement in place with the local expressway patrol department in accordance to which some of the Expressway JV’s employees are retained by the expressway patrol department to help maintain order on the expressway. This arrangement has been proven helpful in improving the traffic condition during the rush hour and improving the road safety (such as the enforcement of the regulation that no commercial passenger vehicle should travel on the expressway between 2 a.m. and 5 a.m.). Machao Expressway JV also has quarterly meetings with the local expressway patrol department to share with each other the latest developments on the expressway and to jointly improve the road safety.

Major repairs and improvements

As Machao Expressway is relatively new, no major or intermediate repair has taken place. Machao Expressway JV has thus far carried out routine maintenance on the expressway to uphold the relevant standards under its classification. Routine maintenance includes daily cleaning and inspection of road conditions, minor repairing and other preventative measures. To improve road safety, the Expressway JV routinely carries out inspections of potential road defects, including road inspections at least twice a month and joint road inspections with the relevant government authorities every quarter. Additional road inspections are carried out before and during the major holidays so that the expressway can better cope with the additional traffic flow.

Management and operational staff

Every three years, the Group appoints two out of five directors of Machao Expressway JV, including the vice chairman of the board of directors. The Group generally nominates the general manager of the Expressway JV and the Machao Expressway JV Partner generally nominates the deputy general manager. The tenures of the general manager and the deputy general manager are subject to approval of the board of directors. Although Machao Expressway JV does not have a board of supervisors, each party appoints a supervisor, who will exercise the power designated to the board of supervisors in the relevant regulation.

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As of 31 December 2016, Machao Expressway JV had approximately 79 employees, of which 39 were in operations and toll collection and 40 were staffed in various other departments. A total of four secondees from the Group were included.

Revenues

The revenue of Machao Expressway JV primarily represents Machao Expressway JV's toll revenue derived from the operation of Machao Expressway. Machao Expressway JV also derives revenue from its leasing and advertising services. Toll rates for Machao Expressway are currently in the form of a rate per km travelled based on vehicle classifications for passenger vehicles and vehicle weight for trucks. Toll receipts are therefore principally dependent on traffic volume by vehicle categories (for passenger vehicles) or vehicle weight (for trucks), applicable toll rates and distance travelled.

The following table sets out the revenue, cash distributions, operating expenses and EBITDA for Machao Expressway JV for the years ended 31 December 2014, 2015 and 2016:

	For the years ended 31 December		
	2014 ⁽¹⁾	2015	2016
	(HK\$ in millions)		
Toll revenue of the Expressway JV (net of business tax or value-added tax)	89.7	186.9	220.2
Toll operation expenses of the Expressway JV	3.9	10.2	18.3
Administrative expenses of the Expressway JV	3.6	8.3	9.4
EBITDA ⁽²⁾	83.4	173.0	193.9
Cash distributions to all Expressway JV parties	—	—	—

Notes:

(1) The Group completed the acquisition of its interest in Machao Expressway JV in June 2014. The figures represent its results of operations since then.

(2) EBITDA = toll revenue of the Expressway JV (net of business tax or value-added tax) plus other income of the Expressway JV less toll operation expenses of the Expressway JV and less administrative expenses of the Expressway JV. For Machao Expressway JV, its other income for the years ended 31 December 2014, 2015 and 2016 was HK\$1.2 million, HK\$4.6 million and HK\$1.3 million, respectively.

EBITDA is not a standard measure under HKFRS. While EBITDA provides an additional financial measure for investors to assess the Expressway JV's operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of its results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JV's operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the Expressway JV and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JV's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

For a reconciliation of the Expressway JVs' toll revenue (net of business or value-added tax) to EBITDA for the periods indicated, see "Financial Information—Historical Non-HKFRS Financial Ratios—Key Financial Ratios".

Lease and Advertising Income

Machao Expressway generates a relatively small amount of additional revenue from the leasing out of certain facilities at the service plaza and advertising services. The expressway has one service plaza located in Qingxi. Machao Expressway JV has contracted the operation and management of certain facilities at the service plaza to a third party. The leasing and advertising income for the years ended 31 December 2014, 2015 and 2016 was RMB0.6 million, RMB1.8 million and RMB0.35 million, respectively.

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Toll rates

The toll rate approval process is similar for all of the expressways. See “*Business—Our Operating Plan—Toll Rates and Revenue*” for more details. The toll rates currently payable by vehicles using Machao Expressway are:

Vehicle classification	Trucks (tonne)	Passenger car (seats)	RMB per km
1	Not greater than 2	Not greater than 7	0.45
2	2 to 5 (inclusive)	8 to 19	0.80
3	5 to 10 (inclusive)	20 to 39	1.10
4	10 to 15 (inclusive) 20-foot container	More than 40	1.30
5	More than 15 40-foot container		1.50

The toll rates currently payable by trucks using Machao Expressway are determined by the sum of the vehicle weight and its cargo weight:

Total weight (Column A)	Cargo weight not exceeding the truck’s stated cargo weight limit ⁽¹⁾ (Column B)	Cargo weight exceeding the truck’s stated cargo weight limit (Column C)
Standard rate: RMB0.09 per tonne per km		
Less than 10 tonnes	Standard rate applies	<ul style="list-style-type: none"> • The rate stated in Column B applies to the weight up to the vehicle’s stated cargo weight; • The overweight portion between 0% and 30% of the vehicle’s stated cargo weight limit is charged at the standard rate;
10 – 49 tonnes	The rate progressively decreases from the standard rate to RMB0.05 per tonne per km	<ul style="list-style-type: none"> • The overweight portion between 30% and 100% of the vehicle’s stated cargo limit is charged at progressively at three to six times the standard rate; and
More than 49 tonnes	RMB0.05 per tonne per km	<ul style="list-style-type: none"> • The overweight portion over 100% of the vehicle’s stated cargo limit is charged at six times the standard rate.

Note:

(1) The truck’s stated cargo weight limit depends on the number of the truck’s axles: two axles—17 tonnes; three axles—25 tonnes; four axles—35 tonnes; five axles—43 tonnes; six axles and above—49 tonnes

Toll Discounts and Exemptions

Currently, road users with a Hui Tong Card receive a 5% discount. Truck drivers with a Hui Tong Card enjoy a 15% discount from 12 July 2016 to 11 July 2019. Certain categories of vehicles are exempt from paying toll charges. The exempt categories include vehicles bearing military registration plates, fire engines, police vehicles, as well as other vehicles performing rescue and relief duties as approved by the government authorities. In addition, trucks that carry agricultural products are allowed to use a “green passage” exemption from paying tolls.

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Historical traffic flow and toll receipts

A summary of annual weighted average daily section traffic and average daily toll receipts on Machao Expressway collected by Machao Expressway JV for the years ended 31 December 2014, 2015 and 2016:

Project	For the years ended 31 December					
	2014 ⁽¹⁾		2015		2016	
	Weighted Average Daily Section Traffic	Average Daily Toll Receipts	Weighted Average Daily Section Traffic	Average Daily Toll Receipts	Weighted Average Daily Section Traffic	Average Daily Toll Receipts
		(RMB in thousands)		(RMB in thousands)		(RMB in thousands)
Provincial Expressway S24						
Ma'anshan-Chaohu Expressway . . .	9,310	344.1	12,947	423.0	17,695	520.0
Passenger traffic	5,681	120.1	8,697	148.0	12,244	207.0
Truck traffic	3,629	224.0	4,250	275.0	5,451	313.0

Note:

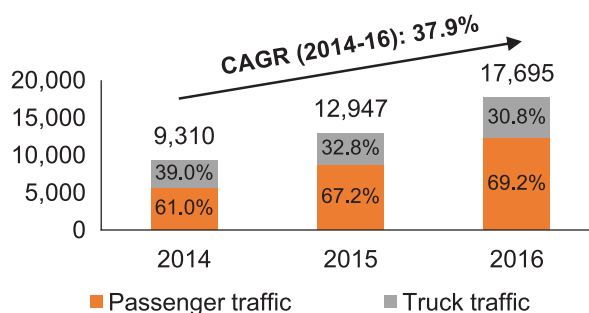
(1) The Group completed its acquisition of Machao Expressway in June 2014. The figures represent its results of operations since then.

Trends

The traffic flow on Machao Expressway, both in terms of passenger traffic and truck traffic, grew at a high rate since the expressway opened, indicating that the traffic demand in the region is significant. During the Track Record Period, Machao Expressway's traffic flow primarily consisted of small passenger vehicles.

The following tables set out increases in traffic flow and changes in traffic mix on Machao Expressway and a more detailed monthly comparison of average daily toll receipts and weighted average daily section traffic flow for the years ended 31 December 2014, 2015 and 2016.

Weighted Average Daily Section Traffic of Machao Expressway



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Growth in monthly average daily toll receipts and monthly weighted average daily section traffic flow

Month	Average Daily Toll Receipts			Weighted Average Daily Section Traffic Flow		
	2014 ⁽¹⁾	2015	2016	2014 ⁽¹⁾	2015	2016
	(RMB in thousands)					
January	—	386	495	—	10,755	16,276
February	—	393	599	—	18,099	27,733
March	—	435	541	—	14,178	14,329
April	—	410	457	—	11,492	14,702
May	—	410	484	—	10,946	15,863
June	301	407	470	8,313	11,658	14,948
July	322	421	523	8,762	12,580	16,970
August	335	442	547	9,611	14,166	18,929
September	383	469	543	9,902	14,208	18,186
October	314	401	484	8,260	11,120	20,821
November	372	439	550	9,901	12,995	16,711
December	382	461	555	10,428	13,618	17,319

Note:

(1) The Group completed its acquisition of Machao Expressway in June 2014.

Traffic flow and financial forecast

For projections of annual average daily traffic flow and annual average daily toll receipts estimated by WB Group, including the basic approach and key assumptions relating to the forecast, see “Appendix III—Traffic Study Report—Machao Expressway” for more details.

Competition

Existing and potential competing roads

The Group believes that Machao Expressway possesses a competitive advantage over the competing roads, as the expressway provides the shortest route from Hefei to certain developed coastal cities in the Yangtze River Delta such as Shanghai. It also provides significant benefit to local traffic travelling to and from Hefei. Before Machao Expressway commenced its operation, vehicles travelling to Hefei from Ma’anshan have to take a detour to use Ningwu Expressway to get on the Hefei-Chaohu-Wuhu Expressway. Now these vehicles can directly use Machao Expressway to access Hefei-Chaohu-Wuhu Expressway, which shortens the travelling distance by over 40 kilometres.

Machao Expressway faces the following existing competition:

- Hening Expressway and Wuning Expressway:** Hening Expressway connects Anhui and western Jiangsu with the Yangtze River Delta, including Shanghai. Wuning Expressway connects Wuhu and Nanjing. The two expressways are direct competitors to Machao Expressway as they run parallel to it. Nevertheless, the Group believes that Machao Expressway has a competitive advantage against these expressways as it is a part of the shortest route connecting Hefei with Jiangsu and Shanghai. Moreover, Hening Expressway, as an expressway that is built in 1995 with a four-lane configuration, has reached its design capacity. The Group believes that Machao Expressway has diverted traffic away from these competing expressways.

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Machao Expressway faces the following potential competition:

- **Chaohu to Wuwei section of G42S Beiyang Expressway, S11 Wuhu Yangtze River Second Bridge and S05 Ning Xuan Hang Expressway:** According to WB Group, the commencement of operations of these expressways will have a marginally negative impact on the traffic flow on Machao Expressway.

Prospects

Prospects for Anhui

According to the Thirteenth Five-Year Plan, the GDP of Anhui Province is expected to increase approximately at a CAGR of 8.5% from 2017 to 2020. In addition, we expect that Anhui Province will benefit from the “One Belt, One Road” initiative and the “Yangtze River Economic Belt Development” policy. Under the “Yangtze River Economic Belt Development” initiative, Anhui aims to become the new growth pole of the Yangtze River Delta Urban Cluster through, among others, innovation and developing its advanced manufacturing industry. See “*Industry Overview—The Economy of China and Hebei, Hunan, Shanxi and Anhui Province—Anhui Province*” for more details.

Factors specific to Machao Expressway

- **Opening of Beiyang Expressway:** The Ma’anshan-Chaohu section and the Chuzhou-Ma’anshan section of Beiyang Expressway have already been completed; the Chaohu-Wuwei section of Beiyang Expressway will be completed by the end of 2017, followed by the Wuwei-Anqing section by the end of 2021. According to WB Group, the opening of Beiyang Expressway will further improve the traffic flow between Jiangnan and Jiangbei areas, which is expected to increase the traffic flow on Machao Expressway.
- **Closer tie with the Yangtze River Delta area:** Based on the relevant government plan, the Group expects that Anhui will form a closer tie with the Yangtze River Delta. Because Machao Expressway is a part of the shortest route connecting Hefei with certain developed coastal cities in the Yangtze River Delta such as Shanghai, the Group believes that traffic flow on Machao Expressway will continue to grow.
- **The eastward extension of Yuewu Expressway:** This expressway begins at the end of S22 Tianqian Expressway in Wuhu and ends at the beginning of the Yuewu section of the Shanghai-Wuhan Expressway. The extension will become a part of the complete corridor from Wuhan to the Yangtze River Delta, and further increase the traffic flow on Machao Expressway.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Immediately following the Listing, RKI will indirectly own (through its wholly-owned subsidiary New Select) approximately 73% of our Shares in issue (assuming that the Over-allotment Option is not exercised) and will be our holding company.

BACKGROUND OF RKI

RKI is an investment holding company whose shares have been listed on the Stock Exchange since 4 July 1996. Through its subsidiaries, the principal activities of RKI and its subsidiaries were investment in, and the development, operation and management of property development and toll road projects. As part of the Reorganisation, all of RKI's interests in toll road projects have been transferred to our Group, with the exception of the Excluded Highway, further information relating to which is set out in “—*Independence from the Controlling Shareholder—(d) Delineation of Businesses*” below.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Our Directors are satisfied that, on the basis of the following, we are capable of operating our business independently of the Controlling Shareholder after the Listing.

(a) Management Independence

Our Board of Directors consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. Apart from Mr. Zen Wei Pao, William who will continue to be the co-chairman and an executive director of RKI following Listing, none of the other Directors sits on the board of directors of RKI or holds any position or assumes any management functions in the Remaining RKI Group upon Listing. Mr. Fong Shiu Leung, Keter, who is the company secretary of our Company and does not assume any management functions in our Company, is an executive director and the company secretary of RKI.

Mr. Zen Wei Pao, William as our Chairman and Director leads our Board in setting our Group's strategic vision, direction and goals. He is also the co-chairman and an executive director of RKI and the chairman and an executive director of Wai Kee. At the Remaining RKI Group, Mr. Zen's role is to provide strategic leadership to RKI's board of directors that comprises four executive directors, two non-executive directors and five independent non-executive directors (including Mr. Wong Wai Ho, our independent non-executive Director, who has resigned as an independent non-executive director of RKI with effect from Listing) as at the Latest Practicable Date in the development of new non-toll road investment opportunities. Those operations are being overseen and managed by his fellow executive directors and a sizeable senior management team. Mr. Zen's role at Wai Kee is to provide leadership to Wai Kee's overall strategic planning and corporate marketing and development. The day to day management and operations of Wai Kee and its subsidiaries are undertaken by his two fellow executive directors and a large senior management team.

Based on the above and our past experience, we believe that Mr. Zen will dedicate adequate time and attention to his role as our Chairman and executive Director. As he is one of three executive Directors, and one of seven Directors, we also believe that he will not have undue influence over our Board.

Our daily operations and management are principally overseen and managed by our other two executive Directors, namely Mr. Yu Kam Fat and Mr. Lee Tak Fai, and members of our senior management team. Our independent non-executive Directors, namely Mr. Wong

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Wai Ho, Mrs. Chow Liang Shuk Yee, Selina, Dr. Ng Chung Wai, David and Dr. Sui Shujing are responsible for providing independent advice to the Board.

None of our Directors is interested in any business which competes with our Group's business. We have also established an audit committee, a nomination committee, a remuneration committee and an investment committee to promote a high level of corporate governance and to address any potential conflict of interests. We also have our own team of full-time senior management and, upon Listing, employees so that we can operate independently from the Controlling Shareholder.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. If there is a potential conflict of interest in respect of any matter being considered by the Board, the interested Director(s) will not be counted in the quorum of and will abstain from voting at the relevant Board meeting. Accordingly, where our Board is considering a resolution in which the Remaining RKI Group has an interest, Mr. Zen Wei Pao, William will be required to abstain from voting on such resolution.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company and manage our business independently from the Controlling Shareholder after the Listing.

(b) Financial independence

We have our own independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing.

As at 31 December 2016, we had net amounts due from the Remaining RKI Group in the sum of approximately HK\$747.1 million, which were unsecured and interest free. Such amounts are expected to be fully settled by Listing. All offshore incorporated members of our Group (together with certain offshore incorporated members of the Remaining RKI Group including RKI) have also guaranteed the payment obligations under senior notes listed on the Stock Exchange issued by, and bank borrowings of, various members of the Remaining RKI Group (the total amount guaranteed by our Group was approximately HK\$9,389.6 million as at 31 December 2016) and the US\$300.0 million perpetual capital securities listed on the Singapore Stock Exchange issued by a wholly-owned subsidiary of RKI in February 2017. In March 2017, an offshore incorporated member of our Group (together with certain members of the Remaining RKI Group) guaranteed the payment obligations under a club loan of a member of the Remaining RKI Group in the principal amount of US\$280.0 million, of which US\$260.0 million was applied towards refinancing loans of the Remaining RKI Group. As at 30 April 2017, the amount guaranteed by our Group was HK\$11,900.3 million. Certain members of our Group will also guarantee the US\$300.0 million perpetual capital securities announced by RKI after 30 April 2017 to be issued by a member of the Remaining RKI Group, subject to completion of the issue. All these guarantees given by members of our Group will be released upon Listing, in accordance with the terms of the relevant notes or perpetual capital securities or otherwise through refinancing of the relevant bank borrowings.

Following our acquisition of a 49.0% equity interest in Machao Expressway JV in 2014, Machao Expressway JV borrowed bank loans in 2015 to refinance borrowings from our

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Machao Expressway JV Partner and a bank that funded the construction of Machao Expressway. As at 31 December 2016, bank loans totalling approximately HK\$1,578.1 million in principal amount were required to be guaranteed by the joint venture partners pro rata to their equity interest in Machao Expressway JV. The guarantees for our 49.0% share of the loans (i.e. approximately HK\$773.3 million in principal amount) were provided by a member of the Remaining RKI Group (the “**Machao Guarantees**”). Having approached the relevant lending banks to secure a release of the Machao Guarantees in anticipation of the Listing, the lending banks appear reluctant to consider any replacement guarantee or security. Accordingly, the Machao Guarantees will not be released on Listing.

We do not believe that our inability to secure the release or replacement of the Machao Guarantees affects our Group’s financial independence for the following reasons:

- we believe, based on our discussions with the lending banks, that their reluctance to agree to release the Machao Guarantees or accept replacement guarantees or security was not driven by any issue of creditability of our Group but rather a lack of incentive for those banks to give consent, given that the loans cannot be prepaid in whole or in part unilaterally by the borrower without their agreement;
- during the Track Record Period, our Group has consistently been providing substantial cash advances to the Remaining RKI Group, such that net amounts due from the Remaining RKI Group to our Group amounted to approximately HK\$262.1 million, HK\$248.6 million and HK\$747.1 million as of 31 December 2014, 2015 and 2016, respectively;
- our strong cash position can further be demonstrated by the fact that we have been able to provide our pro rata share of the financing needs of Changyi Expressway JV in the form of shareholders loans. As of 31 December 2016, the total borrowings of Changyi Expressway JV amounted to approximately HK\$277.9 million, 50% of which was shareholders loans from us; and
- Longcheng Expressway JV was able to secure its own loan (the principal amount outstanding being approximately HK\$3,143.5 million as of 31 December 2016) without any guarantee or security.

To further demonstrate our ability to raise funds independently, we have received commitment letters from each of The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., in its capacity as a lending bank, confirming availability of committed term loans for principal amounts of HK\$750.0 million for working capital purposes and US\$25.0 million drawable within 12 months of Listing for future acquisition, respectively. See “*Financial Information—Indebtedness—Indebtedness Statement—Borrowings and Contingent Liabilities*” for more details.

Based on the above, our Directors consider that our Group is able to conduct our business independently from the Controlling Shareholder from a financial perspective and is able to maintain financial independence from the Controlling Shareholder after Listing.

(c) Operational independence

We have our own teams specialising in our business and project development, assessment and management, staffing, finance and accounting or internal audit functions and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

do not rely on the Remaining RKI Group in these respective areas, which have been in operation and are expected to continue to operate separately and independently from the Remaining RKI Group. We have sufficient operating capacity in terms of capital, equipment and, upon Listing, employees to operate our business independently. We also have independent access to suppliers and customers and an independent management team to handle our day-to-day operations.

(d) Delineation of Businesses

Our principal activities are investment in, and the development, operation and management of, expressway projects.

The Remaining RKI Group will principally be engaged in investment in, and the development, operation and management of, property in the PRC, Hong Kong and elsewhere. It will also continue to hold and manage a 50% interest in the Excluded Highway (i.e. Suzhou Highway) in Jiangsu Province, which connects Suzhou to the Shanghai Hongqiao Airport.

We believe that there is minimal competition between the Excluded Highway and the expressways that we have interests in, because none of the expressways that we have interests in operates in Jiangsu Province where the Excluded Highway is located.

The losses of the Excluded Highway attributable to RKI's results were about HK\$37.9 million, HK\$16.4 million and HK\$9.6 million for each of the years ended 31 December 2014, 2015 and 2016 respectively.

We have transferred our interests in the Excluded Highway (through the sale of the companies through which we hold such interest) to the Remaining RKI Group as part of the Reorganisation for the following reasons:

- such divestment is in line with our strategy to focus on our expressways projects; and
- the term of the joint venture holding the Excluded Highway is due to expire in December 2017.

The Remaining RKI Group does not intend to invest in new highways or to extend the term of the joint venture holding the Excluded Highway upon its expiry in December 2017.

RKI has undertaken and covenanted with our Company pursuant to a deed of non-competition dated 19 June 2017 (the “**Deed of Non-competition**”) to avoid any potential conflict of interest between the Remaining RKI Group and our Company. Pursuant to the Deed of Non-competition, save for the Permitted Business (as defined below) and save as a Controlling Shareholder of our Company, RKI shall not, and shall procure its close associates (other than our Group) not to, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise in any business that competes or may compete, directly or indirectly or through nominees, with the business of investment in, and the development, operation and management of, expressway projects (the “**Spin-off Business**”).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

For the purpose of the Deed of Non-competition, the following business (the “**Permitted Business**”) does not fall within the scope of the Spin-off Business: (1) participation or engagement in any business undertaken by the Remaining RKI Group in connection with the Excluded Highway; (2) any investment in a direct or an indirect shareholding interest of not more than 5% (individually or taken together with respective close associates) in any company whose shares are listed on a recognised stock exchange anywhere in the world and which engages in any Spin-off Business; or (3) any investment in directly or indirectly not more than 10% of any bond or perpetual capital securities issued by a company whose shares are listed on a recognised stock exchange anywhere in the world and which engages in any Spin-off Business (or in a wholly-owned subsidiary of such company acting as the issuer of such securities).

The undertakings by RKI under the Deed of Non-competition will terminate upon the earliest of the following to occur:

- the date on which the Shares cease to be listed on the Stock Exchange;
- the date on which our Group ceases to carry on the Spin-off Business; or
- the date on which RKI directly or indirectly through its close associates together holds less than 30% of the issued Shares.

Having considered that (1) the expressway business of our Group and the property development business of the Remaining RKI Group are distinct business operations; (2) there is minimal competition between the expressways that we have interests in and the Excluded Highway as described above, and the joint venture for the Excluded Highway will in any event expire in December 2017; and (3) the overwhelming majority of the expressway management team is retained by our Group, our Directors do not foresee any material competition or conflict of interest between the Remaining RKI Group and our Group following the Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of the Shareholders. In particular, the following corporate governance measures in relation to managing potential conflicts of interest between our Group and the Remaining RKI Group will be taken:

- a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which such Director or any of his close associates is materially interested;
- a Director who, to his knowledge, is in any way, whether directly or indirectly, interested in a contract, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested;
- RKI has undertaken to and for the benefit of the Group that for so long as the Deed of Non-competition is in effect, it will provide all information necessary for the annual review by the independent non-executive Directors (if they so require)

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

of its and its close associates' compliance with and the enforcement of the undertakings contained in the Deed of Non-competition and it will within 30 business days, after the end of each financial year of our Company deliver to our Company a declaration in writing signed by a director of RKI confirming whether or not members of the Remaining RKI Group have complied with the undertakings contained in the Deed of Non-competition and, if not, to give particulars of any non-compliance;

- our Company will disclose decisions, with the basis for them, on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the undertakings of RKI and its close associates under the Deed of Non-competition either through the annual or interim reports of our Company, or by way of announcements to the public;
- our Company will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced;
- our Company will disclose the annual statement on compliance with the Deed of Non-competition made by RKI in our subsequent annual reports;
- we are committed to our Board including a balanced composition of executive Directors and independent non-executive Directors. We have appointed four independent non-executive Directors, accounting for more than one-third of the Board. We believe our independent non-executive Directors possess sufficient experience, and that they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment to be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "*Directors and Senior Management—Directors—Independent non-executive Directors*"; and
- any transaction (if any) between (or proposed to be made between) our Group and connected persons will require compliance with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

CONNECTED TRANSACTIONS

OVERVIEW

Our Group has entered into transactions with certain persons who will become our Company's connected persons (as defined under Chapter 14A of the Listing Rules) upon the Listing. RKI will upon Listing be our substantial shareholder (as defined in the Listing Rules) and therefore it and its associates will be connected persons of our Company. In addition, as described in "*Listing Rules Regulation of the Expressway JVs*", following the Listing, our Expressway JVs will be considered part of our Group for the purposes of Chapter 14A of the Listing Rules, and connected persons of our Group will include the directors of the Expressway JVs, the Expressway JV Partners who hold 10% or more equity interest in the relevant Expressway JV and their respective associates.

CONNECTED TRANSACTIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, as between our Group and the Remaining RKI Group, there were the following connected transactions which will not continue following Listing:-

- our Group has provided financial assistance to, and received financial assistance from, members of the Remaining RKI Group, as described in "*Relationship with the Controlling Shareholder—Independence from the Controlling Shareholder—(b) Financial Independence*" and "*Financial Information—Contractual Obligations—Contingent Liabilities*" (except for the Machao Guarantees);
- our Group has reimbursed the Remaining RKI Group the rental, utilities and other administrative expenses for the Hong Kong office premises occupied by our Group. With effect from Listing, we will rent the Hong Kong office premises direct from the landlord of the premises; and
- our Group has reimbursed the Remaining RKI Group a share of costs of staff and remuneration of RKI's directors employed and paid by the Remaining RKI Group during the Track Record Period that will cease upon completion of the Reorganisation and Listing.

In addition, the Remaining RKI Group shared the use of our Shenzhen office premises during the Track Record Period, the cost of which was reimbursed on the basis of the proportionate area of the total office space occupied by them by way of reimbursement of office rental expenses, utilities and other office administrative expenses or rental income received from a fellow subsidiary, amounting to approximately HK\$3.3 million, HK\$4.1 million and HK\$3.3 million respectively. The licence of use of such premises has been formalised with effect from Listing under a license agreement as described in "*—Continuing Connected Transactions Exempt From The Reporting, Annual Review, Announcement And The Independent Shareholders' Approval Requirements—5. De minimis transaction with our Controlling Shareholder—Office Licence Agreement*".

During the Track Record Period, Baojin Expressway JV and Tangjin Expressway JV had on a transaction-by-transaction basis procured various services from the Baojin Expressway JV Partner or Tangjin Expressway JV Partner or its associates, the provision of services under most of which contracts have been completed. In addition, Machao Expressway JV and Changyi Expressway JV leased variously the petrol station and/or service area and/or granted advertising rights on their respective expressway to associates of the relevant Expressway JV Partner during the Track Record Period.

CONNECTED TRANSACTIONS

Set out below is a summary of such connected transactions during the Track Record Period.

Connected Person	Nature of transaction	Transaction Amount (HK\$'000)		
		During the year ended 31 December 2014	During the year ended 31 December 2015	During the year ended 31 December 2016
Transactions with Baojin Expressway JV Partner or Tangjin Expressway JV Partner or its associates)⁽¹⁾				
Hebei Traffic Planning Design Institute (河北省交通規劃設計院) ("Hebei Traffic Planning Design") (wholly-owned by Hebei Traffic Investment Group Company (河北交通投資集團公司) ("Hebei Traffic Investment"), the holding company of Baojin Expressway JV Partner and Tangjin Expressway JV Partner holding 60% interest in Baojin Expressway JV and 55% in Tangjin Expressway JV respectively)	Inspection of road condition of Baojin Expressway	283	263	—
	Inspection of road condition of Tangjin Expressway	147	—	—
	Provision of design services to Baojin Expressway JV	82	911	36
	Provision of design services to Tangjin Expressway JV	75	176	—
	Provision of technical consultation services to Tangjin Expressway JV	—	29	—
Hebei Province Traffic Construction Supervision Consultant Company Limited (河北省交通建設監理諮詢有限公司) (wholly-owned by Hebei Traffic Investment)	Provision of supervision services to Baojin Expressway JV	—	861	—
Hebei Ruichi Traffic Engineering Consultant Company Limited (河北銳馳交通工程諮詢有限公司) ("Hebei Ruichi") (wholly-owned by Hebei Traffic Planning Design)	Provision of design services to Tangjin Expressway JV	—	343	—
	Provision of technical consultation services to Baojin Expressway JV	—	—	759
Hebei Ruizhi Traffic Technical Consultation Company Limited (河北瑞志交通技術諮詢有限公司) (indirectly wholly-owned by Hebei Traffic Investment during the term of service)	Provision of supervision services to Tangjin Expressway JV	189	—	—
Baojin Expressway JV Partner	Lease of office premises to Baojin Expressway JV ⁽²⁾	1,639	1,631	1,553
Transactions with associates of Machao Expressway JV Partner⁽¹⁾				
Anhui Province Transportation Group Yi'an Expressway Comprehensive Development Company Limited (安徽省交通集團驛安高速公路綜合開發有限公司) ("Anhui Yi'an") (wholly-owned by Machao Expressway JV Partner holding 51% interest in Machao Expressway JV)	Lease of service area at Qingxi service plaza by Machao Expressway JV	757	—	—

CONNECTED TRANSACTIONS

Connected Person	Nature of transaction	Transaction Amount (HK\$'000)		
		During the year ended 31 December 2014	During the year ended 31 December 2015	During the year ended 31 December 2016
Anhui Province Yida Expressway Service Area Operation and Management Company Limited (安徽省驛達高速公路服務區經營管理有限公司) (wholly-owned by Machao Expressway JV Partner)	Lease of service area at Qingxi service plaza by Machao Expressway JV ⁽²⁾	—	—	239
Anhui Province Zhongan Oil Sales Limited Liability Company (安徽省中安油料銷售有限公司) (“Anhui Zhongan Oil”) (51% owned by Machao Expressway JV Partner)	Lease of petrol station at Qingxi service plaza by Machao Expressway JV ⁽³⁾	—	1,882	—
Anhui Expressway Media Company Limited (安徽高速傳媒有限公司) (51% directly owned by Machao Expressway JV Partner, and 38% and 11% indirectly owned by Machao Expressway JV Partner through its 31.3% directly owned associated company and 98.9% directly owned subsidiary respectively)	Grant of advertising rights on Machao Expressway by Machao Expressway JV ⁽²⁾	—	188 ⁽⁴⁾	179
Qingfeng Advertisement Branch Company (清風廣告分公司) of Anhui Yi’an	Grant of advertising rights on Machao Expressway by Machao Expressway JV ⁽¹⁾	—	188 ⁽⁴⁾	—
Anhui Province Huanyu Highway Construction and Development Company Limited (安徽省環宇公路建設開發有限公司) (wholly-owned by Machao Expressway JV Partner)	Provision of road repair services to Machao Expressway JV	—	1,860	—
Anhui Province Xiandai Transportation Facilities Project Company Limited (安徽省現代交通設施工程有限公司) (wholly-owned by Machao Expressway JV Partner)	Provision of road repair services to Machao Expressway JV	—	2,057	87
Machao Toll Settlement Centre Operator (wholly-owned by Machao Expressway JV Partner since 31 August 2016)	Provision of regional toll network settlement services to Machao Expressway JV	212	943	1,308
Transactions with Changyi Expressway JV Partner or its associates				
Hunan Province Gaoguang Investment Company Limited (湖南省高廣投資有限公司) (wholly-owned by Changyi Expressway JV Partner holding 56.83% interest in Changyi Expressway JV)	Grant of advertising rights on Changyi Expressway by Changyi Expressway JV ⁽²⁾	756	753	717
Changyi Expressway JV Partner (in its capacity as the operator of the regional toll network settlement centre for expressways in the Hunan Province)	Provision of regional toll network settlement services to Changyi Expressway JV	5,948	7,567	5,618
Hunan Finance Company	Interest income from deposits by Changyi Expressway JV ⁽⁵⁾	189	180	149

CONNECTED TRANSACTIONS

Notes:

- (1) The provision of the relevant services have been completed, except that the contracts for the provision of technical consultation services by Hebei Ruichi to Baojin Expressway JV commencing in September 2016 for a total fee of approximately HK\$663,000 payable upon the expiry of the service terms in June 2017.
- (2) The continued lease of such premises or grant of advertising rights will continue after Listing as described in “—*Continuing Connected Transactions Exempt From The Reporting, Annual Review, Announcement And The Independent Shareholders’ Approval Requirements*”.
- (3) Machao Expressway JV entered into a lease agreement dated 26 January 2017 with Anhui Zhongan Oil for lease of the petrol station commencing on 1 January 2016 and for the remainder of the term of the Machao Expressway JV expiring on 22 May 2044 for a lump sum payment of RMB47,000,000 for the entire term of the lease payable within one month after the date of the lease agreement. The rental was determined by negotiation between Machao Expressway JV and Anhui Zhongan Oil.
- (4) The grant of advertising rights on Machao Expressway by Machao Expressway JV during the year ended 31 December 2015 to Anhui Expressway Media Company Limited and Qingfeng Advertisement Branch Company of Anhui Yi’an were for the period from 1 July 2015 to 31 December 2015 and from 1 January 2015 to 30 June 2015 respectively.
- (5) During the years ended 31 December 2014, 2015 and 2016, the maximum daily balance of deposits made by Changyi Expressway JV with Hunan Finance Company was approximately RMB114.3 million, RMB110.6 million and RMB88.3 million respectively on terms as described in “—*Continuing Connected Transaction Subject to the Reporting and Announcement Requirements But Exempt from the Independent Shareholders’ Approval Requirement—Changyi Deposit Service Agreement*”.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND THE INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Set out below is a summary of the connected transactions of our Company which will continue after Listing, and are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. Transactions with any Expressway JV Partner and its associates (all being connected parties of the Company at subsidiary level) have been aggregated for this purpose.

1. Exempt Financial Assistance—Machao Guarantees

A member of the Remaining RKI Group provided in 2013 and 2014 guarantees for 49% (equivalent to our equity interest in Machao Expressway JV) of the aggregate bank loans of RMB1,800 million borrowed by Machao Expressway JV. Approximately HK\$1,578 million of these loans remained outstanding as of 31 December 2016, of which approximately HK\$773 million is guaranteed by that member of the Remaining RKI Group at no charge to our Group. The remaining 51% of those bank loans was guaranteed by the Machao Expressway JV Partner. For more details of such guarantees, see “*Relationship with the Controlling Shareholder—Independence from the Controlling Shareholder—(b) Financial independence*”.

As RKI is the Controlling Shareholder of the Company, its subsidiary is a connected person of our Company. The provision of financial assistance by our connected person described above is an exempt connected transaction under Rule 14A.90 of the Listing Rules.

2. De minimis transactions with associates of our Machao Expressway JV Partner

a. Machao Service Area Tenancy Agreement

Machao Expressway JV entered into a tenancy agreement dated 2016 with Anhui Province Yida Expressway Service Area Operation and Management Company Limited (安徽省驛達高速公路服務區經營管理有限公司) (“**Anhui Yida**”), pursuant to which Machao

CONNECTED TRANSACTIONS

Expressway JV has agreed to lease the service area at the Qingxi Service Plaza (清溪服務區) on the Machao Expressway to Anhui Yida for a term of three years commencing on 1 January 2016 and ending on 31 December 2018 at an annual rental of RMB200,000. The annual rental for the year ended 31 December 2016 was payable within seven working days after the date on which the tenancy agreement was entered into and the annual rental for the years ending 31 December 2017 and 31 December 2018 are payable before 1 January of the year following the date on which the tenancy agreement was entered into.

The rental was determined by negotiation between Machao Expressway JV and Anhui Yida. A decision in respect of any future leases of the service area will be made closer to the time when the current tenancy agreement expires.

Anhui Yida is wholly-owned by our Machao Expressway JV Partner, which is a substantial shareholder of Machao Expressway JV. As such, Anhui Yida is a connected person of our Company.

b. Machao Advertisement Agreement

Machao Expressway JV entered into an advertisement agreement dated 2016 with Anhui Expressway Media Company Limited (安徽高速傳媒有限公司) (“**Anhui Media**”), pursuant to which Machao Expressway JV has agreed to grant the right to publish advertisements along Machao Expressway to Anhui Media for a term of three years commencing on 1 January 2016 and ending on 31 December 2018 at annual fee of RMB150,000 for the year ended 31 December 2016 payable within seven working days after the date on which the advertisement agreement was entered into and an annual fee of RMB170,000 for the years ending 31 December 2017 and 31 December 2018 payable before 1 January of the year following the date on which the advertisement agreement was entered into.

The fee was determined after arm’s length negotiations. We note that the fees are largely comparable to the annual fee payable under the Changyi Advertisement Agreement (as defined below), taking into account the respective traffic volume and length of Machao Expressway and Changyi Expressway. A decision in respect of any future grant of advertising rights will be made closer to the time when the current advertisement agreement expires.

Anhui Media is 51% directly owned by our Machao Expressway JV Partner, and 38% and 11% indirectly owned by our Machao Expressway JV Partner through its 31.3% directly owned associated company and its 98.9% directly owned subsidiary respectively. Our Machao Expressway JV Partner is a substantial shareholder of Machao Expressway JV. As such, Anhui Media is a connected person of our Company.

c. Machao Toll Settlement Agreement

Machao Expressway JV entered into the Machao Toll Settlement Agreement (the “**Machao Toll Settlement Agreement**”) dated 1 January 2017 with Machao Toll Settlement Centre Operator for the provision of regional toll network settlement services to Machao Expressway JV for the period from 1 January 2017 to 31 December 2019.

The operation of the regional toll network, including the basis upon which tolls collected at toll stations within the toll road network in Anhui Province are to be allocated, is set out in the notices “Notice on Implementing the Opening of Centralised Account for Centralised

CONNECTED TRANSACTIONS

Settlement of Toll Paid Manually to Expressways in the Whole Province (Wan Jiao Xin Xi (2010) No. 8)” (關於做好全省高速公路通行費現金繳費統一開戶集中拆分工作的通知(皖交信息(2010)8號)) and “Notice on Adjusting Work Related to Settlement of Expressway Toll (Wan Jiao Lian Guan (2013) No. 31)” (關於調整高速公路通行費清分結算相關工作的通知(皖交聯管(2013)31號)) dated 20 September 2010 and 25 June 2013 respectively and issued by the Anhui Provincial Traffic Information Centre (安徽省交通信息中心辦公室) and the Anhui Provincial Traffic and Transportation Network Operation Management Centre (安徽省交通運輸聯網運行管理中心) respectively.

Under the Machao Toll Settlement Agreement, the Machao Toll Settlement Centre Operator charges an administrative fee at a rate of 0.18% of each MTC toll and 0.5-2% of each ETC toll (depending on the amount of ETC toll) collected for Machao Expressway JV. The rate of the administrative fee is agreed by the Machao Toll Settlement Centre Operator and the expressway operators in the expressway network as permitted by the Anhui Provincial Pricing Bureau (安徽省物價局) of the Anhui Provincial Transportation Department (安徽省交通運輸廳), and is within the range of the administrative fees charged by the regional toll settlement centre operator providing regional toll network settlement services to the other expressways that we have interests in.

The Machao Toll Settlement Centre Operator is wholly-owned by the Machao Expressway JV Partner, which is a substantial shareholder of Machao Expressway JV. As such, the Machao Toll Settlement Centre Operator is a connected person of our Company.

The administrative fees paid by Machao Expressway JV during the three years ended 31 December 2014, 2015 and 2016 were approximately HK\$212,000, HK\$943,000 and HK\$1,308,000 respectively.

Having taken into consideration the amount of administrative fees paid by Machao Expressway JV during the Track Record Period, the fact that Machao Expressway which came into operation only in 2014 is in its “ramp up” phase, the level of annual toll revenue in the base case forecast set out in “Appendix III—Traffic Study Report—Machao Expressway—5. Traffic and Revenue Forecast Results”, the maximum administrative fee rate of 2% and after allowing approximately 10% buffer, the Directors estimate for the purposes solely of ascertaining our Company’s compliance obligations under the Listing Rules that the maximum amount of administrative fees payable by Machao Expressway JV for the years ending 31 December 2017, 2018 and 2019 will not exceed RMB4,640,000, RMB5,200,000 and RMB5,870,000 respectively.

The transactions under these three agreements with the connected persons of our Company described above are exempt connected transactions under Rule 14A.76(1) of the Listing Rules.

3. De minimis transaction with our Changyi Expressway JV Partner or its associates

a. Changyi Advertisement Agreement

Changyi Expressway JV entered into an advertisement agreement dated 26 August 2011 (the “Changyi Advertisement Agreement”) with Hunan Gaoguang Investment Company Limited (湖南高廣投資有限公司) (“Hunan Gaoguang”), pursuant to which Changyi

CONNECTED TRANSACTIONS

Expressway JV has agreed to grant the right to publish advertisements along Changyi Expressway to Hunan Gaoguang for a term of eight years commencing from 26 August 2011 and ending on 25 August 2019. Under the advertisement agreement, the annual fee payable by Hunan Gaoguang to Changyi Expressway JV before 7 September each year (in respect of the period from 26 August of that year to 25 August of the following year) is RMB600,000 during the term of the advertisement agreement.

The fee was determined by negotiation between Changyi Expressway JV and Hunan Gaoguang. A decision in respect of any future grant of advertising rights will be made closer to the time when the current advertisement agreement expires.

Hunan Gaoguang is wholly-owned by the Changyi Expressway JV Partner, which is a substantial shareholder of Changyi Expressway JV. As such, Hunan Gaoguang is a connected person of our Company.

b. Changyi Toll Settlement Agreement

Changyi Expressway JV entered into the Changyi Toll Settlement Agreement dated 20 March 2017 with Changyi Expressway JV Partner (in its capacity as the operator of the regional toll network settlement centre for expressways in the Hunan Province as delegated by the Hunan Provincial Expressway Management Bureau (湖南省高速公路管理局)) for the provision of regional toll network settlement services to Changyi Expressway for the period from 1 January 2017 to 31 December 2019.

The operation of the regional toll network, including the basis upon which tolls collected at toll stations within the toll road network in Hunan Province are to be allocated, is set out in the notice “Notice on Further Strengthening the Management of Toll Collection of Expressway Network (Xiang Jiao Cai Hui (2014) No. 498)” (關於進一步加強高速公路聯網收費管理的通知(湘交財會(2014)498號)) dated 18 December 2014 issued by the Hunan Provincial Transportation Department (安徽省交通運輸廳).

Under the Changyi Toll Settlement Agreement, the Changyi Expressway JV Partner charges an administrative fee at a rate of 0.5% of each MTC toll and 1% of each ETC toll collected for Changyi Expressway JV. The rate of administrative fee is prescribed by the Hunan Provincial Development and Reform Commission (湖南省發展和改革委員會) in the notice “Reply on Decreasing some of the Rates of Toll Collection Administrative Fee of the Expressway Network (Xiang Fa Gai Han (2016) No. 134)” (關於降低高速公路聯網收費技術服務費部分收費標準的復函(湘發改函(2016)134號)) dated 5 May 2016 issued by it and such rate is within the range of the administrative fees charged by the regional toll settlement centre operator providing regional toll network settlement services to the other expressways that we have interests in.

Changyi Expressway JV Partner is a substantial shareholder of Changyi Expressway JV and, as such, is a connected person of our Company.

The administrative fees paid by Changyi Expressway JV during the three years ended 31 December 2014, 2015 and 2016 were approximately HK\$5,948,000, HK\$7,567,000 and HK\$5,618,000 respectively.

Having taken into consideration the amount of administrative fees paid by Changyi Expressway JV during the Track Record Period, the level of annual toll revenue in the base

CONNECTED TRANSACTIONS

case forecast set out in “Appendix III—Traffic Study Report—Changyi Expressway—5. Traffic and Revenue Forecast Results”, the maximum administrative fee rate of 1% and after allowing approximately 10% buffer, the Directors estimate for the purposes solely of ascertaining our Company’s compliance obligations under the Listing Rules that the maximum amount of administrative fees payable by Changyi Expressway JV for the years ending 31 December 2017, 2018 and 2019 will not exceed RMB7,580,000, RMB8,150,000 and RMB8,670,000 respectively.

The transactions under these two agreements with our connected persons described above are exempt connected transactions under Rule 14A.76(1) of the Listing Rules.

4. De minimis transaction with our Baojin Expressway JV Partner—Office Premises Tenancy Agreement

Baojin Expressway JV entered into a tenancy agreement dated 28 February 2017 with our Baojin Expressway JV Partner, pursuant to which our Baojin Expressway JV Partner has agreed to lease a 10-storey office building of 7,351.7 sq. m. in Baoding Municipality, Hebei Province to Baojin Expressway JV for a term of three years commencing on 1 January 2017 and ending on 31 December 2019 at annual rental of RMB1,500,000 payable before 15 December of each year during the term.

The rental was determined by negotiation between Baojin Expressway JV and our Baojin Expressway JV Partner. A decision in respect of any future leases of the office premises will be made closer to the time when the current tenancy agreement expires.

Our Baojin Expressway JV Partner is a substantial shareholder of Baojin Expressway JV. As such, our Baojin Expressway JV Partner is a connected person of our Company.

The transaction under the tenancy agreement with our connected person described above is an exempt connected transaction under Rule 14A.76(1) of the Listing Rules.

5. De minimis transaction with our Controlling Shareholder—Office Licence Agreement

On 14 June 2017, RKI and 路勁企業管理顧問（深圳）有限公司 (Road King Enterprise Management Consultancy (Shenzhen) Company Limited) (“**Shenzhen Management Company**”), a wholly-owned subsidiary of our Company, entered into a licence agreement (“**Office Licence Agreement**”) under which Shenzhen Management Company has agreed to licence to RKI the use of 1,802.29 sq. m. of office space out of 1,986.79 sq. m. of office space currently leased by Shenzhen Management Company from an independent third party landlord. The term of the licence commences on 1 July 2017 and ends on 9 February 2018. RKI is to pay a monthly licence fee and all management fees and outgoings payable to the landlord by Shenzhen Management Company (amounting to approximately RMB275,174 per month). The total licence fee payable for the term of the licence is approximately RMB2.01 million. The licence fee is charged at the same sq. m. rate charged by the landlord to Shenzhen Management Company.

For the years ended 31 December 2014, 2015 and 2016, the total fees paid by the Remaining RKI Group to our Group by way of reimbursement of office rental expenses, utilities and other office administrative expenses or rental income for the use of the premises

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was approximately HK\$3.3 million, HK\$4.1 million and HK\$3.3 million respectively, based on the proportionate space occupied by the Remaining RKI Group at the time.

RKI is our Controlling Shareholder and therefore a connected person of our Company.

The transaction under the Office Licence Agreement is an exempt connected transaction under Rule 14A.76(1) of the Listing Rules.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Set out below is a summary of the continuing connected transaction of our Group which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Changyi Deposit Service Agreement

Changyi Expressway JV entered into the Changyi Deposit Service Agreement dated 5 April 2017 with Hunan Finance Company in respect of the provision of deposit services by Hunan Finance Company to Changyi Expressway JV for a period of three years from 1 January 2017 to 31 December 2019.

Core enterprises belonging to the Changyi Expressway JV Partner are required to place their funds into their accounts maintained with the Hunan Finance Company based on the "Minutes of Meeting on Issues relating to Hunan Expressway Group Finance Company Limited (Xiang Fu Yue (2011) No. 60)" (關於湖南高速集團財務有限公司有關問題的會議紀要(湘府閱(2011)60號)) dated 25 August 2011 issued by the People's Government of Hunan Province and "Notice on Implementing Minutes of Meeting of Provincial Government on Issues relating to Hunan Expressway Group Finance Company Limited (Xiang Gao Ju Cai (2011) No. 832)" (貫徹落實省政府關於湖南高速集團財務有限公司有關問題的會議紀要的通知(湘高局財(2011)832號)) dated 4 December 2011 issued by the Hunan Provincial Expressway Management Bureau. Hunan Finance Company is a non-banking financial institution authorised and regulated by the PBOC and the China Banking Regulatory Commission (中國銀行業監督管理委員會) and is required to comply with certain capital adequacy and liquidity ratio requirements.

Pursuant to the Changyi Deposit Service Agreement, Hunan Finance Company is required to pay interest on deposits from Changyi Expressway JV at rates that are not lower than the general interest rates set by the PBOC for the same term of deposit in the same period and shall not be lower than the interest rates provided by major commercial banks in the PRC for the same term of deposit in the same period. During the Track Record Period, the interest rate offered was 0.35% per annum (being the PBOC rate during that period), representing approximately HK\$189,000, HK\$180,000 and HK\$149,000 in interest income for the years ended 31 December 2014, 2015 and 2016.

Changyi Expressway JV maintains two accounts with Hunan Finance Company, one to which Changyi Expressway JV is required under the Changyi Deposit Service Agreement to pay approximately 50% of the MTC receipts before the monies are paid over to the regional

CONNECTED TRANSACTIONS

toll network settlement centre periodically as required, and another account which receives payments from the regional toll network settlement centre. The aggregate maximum daily outstanding balance standing to the credit of the two accounts during the years ended 31 December 2014, 2015 and 2016 was approximately RMB114.3 million, RMB110.6 million and RMB88.3 million respectively.

Based on the aggregate maximum daily outstanding balance of deposits standing to the credit of the two accounts during the Track Record Period, the proportion of annual toll revenue such amounts represented and the level of annual revenue in the base case forecast set out in “Appendix III—Traffic Study Report—Changyi Expressway—5. Traffic and Revenue Forecast Results”, the Directors estimate for the purposes solely of ascertaining our Company’s compliance obligations under the Listing Rules that the maximum amount of daily outstanding balance of deposits to be placed by Changyi Expressway JV with the Hunan Finance Company for each of the years ending 31 December 2017, 2018 and 2019 will not exceed RMB170 million.

Hunan Finance Company is 60% owned by the Changyi Expressway JV Partner, a substantial shareholder of Changyi Expressway JV, and therefore Hunan Finance Company is a connected person of our Company. The provision of deposit services by Hunan Finance Company, which is a non banking financial institution, to Changyi Expressway JV is considered to be a provision of financial assistance by Changyi Expressway JV to Hunan Finance Company for the purposes of the Listing Rules.

Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transaction as set out above (i) is in our ordinary and usual course of business and on normal commercial terms, and is fair and reasonable and in the interest of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for such transaction are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Confirmation from the Joint Sponsors

Based on the documents, information and historical figures provided by the Company and the Joint Sponsors’ participation in due diligence and discussions with the Company and its advisers, the Joint Sponsors are of the view that the non-exempt continuing connected transaction as set out above (i) is in the ordinary and usual course of business of our Group and on normal commercial terms, and is fair and reasonable and in the interest of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for such transaction are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

WAIVER FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

We have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the announcement requirement under Chapter 14A of the Hong Kong Listing Rules in respect of the non-exempt continuing connected transaction set out above, subject to the condition that the aggregate value of the continuing connected transaction for each financial year shall not exceed the relevant annual cap amount. We will comply with the applicable requirements specified under Rule 14A.105 of the Hong Kong Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of seven Directors, three of whom are executive Directors and four of whom are independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, setting strategic directions for our Group, determining our business plans and investment plans, formulating our annual budget and final accounts, as well as exercising other powers, functions and duties as conferred by the Bye-laws of our Company. The following table sets forth certain information in respect of our Directors.

Directors and Senior Management

The following table shows the key information of our Directors:

<u>Name</u>	<u>Age</u>	<u>Date of joining the Group</u>	<u>Date of appointment for the current tenure as Director</u>	<u>Position for the current tenure</u>	<u>Responsibility</u>
Zen Wei Pao, William (單偉豹) . . .	70	18 October 1994	1 December 2016	Chairman	Setting the Group's strategic vision, direction and goals
Yu Kam Fat (俞金發)	61	29 June 1998	1 December 2016	Chief Executive Officer	Oversight and management of the Group's daily operations and investments
Lee Tak Fai (李德輝)	51	10 April 2007	1 December 2016	Chief Financial Officer	Oversight and management of the Group's daily operations and overall corporate financial, accounting and internal control matters
Wong Wai Ho (黃偉豪)	68	23 May 2014	19 June 2017	Independent non-executive Director	Providing independent advice to the Board
Chow Liang Shuk Yee, Selina (周梁淑怡)	72	19 June 2017	19 June 2017	Independent non-executive Director	Providing independent advice to the Board
Ng Chung Wai, David (吳頌煒) . . .	57	19 June 2017	19 June 2017	Independent non-executive Director	Providing independent advice to the Board
Sui Shujing (隋淑靜)	47	19 June 2017	19 June 2017	Independent non-executive Director	Providing independent advice to the Board

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment for the current tenure as Senior Management	Position for the current tenure	Responsibility
Li Jianjun (李建軍)	50	1 November 1999	1 September 2010	General manager	Day-to-day management of the expressway projects, oversight and coordination of the expressway projects and project managers, as well as reporting to the Chief Executive Officer
Wang Jianguo (王建国)	57	30 October 1997	1 May 2011	Deputy general manager	Day-to-day management of the expressway projects, operation of the expressways that we have interests in, as well as reporting to the Chief Executive Officer
Li Jianzhong (李建忠)	61	14 September 2000	1 September 2010	Deputy general manager	Day-to-day management of the expressway projects, operation of the expressways that we have interests in, as well as reporting to the Chief Executive Officer

Mr. Zen Wei Pao, William, the chairman of the Board, is responsible for setting the Group's strategic vision, direction and goals. Mr. Yu Kam Fat, an executive Director and our Chief Executive Officer, is responsible for overseeing and managing the Group's daily operations and investments. Mr. Lee Tak Fai, an executive Director and our Chief Financial Officer, is responsible for overseeing and managing the Group's daily operations and overall corporate financial, accounting and internal control matters. Our independent non-executive Directors perform their duties through the Board and do not participate in the day-to-day management of our business operations. The members of our senior management are responsible for the day-to-day management of our business operations.

DIRECTORS

Executive Directors

Mr. Zen Wei Pao, William, aged 70, is the founder of the Group and has been the Chairman of the Company and an executive Director since its establishment. He is primarily responsible for setting the strategic vision, direction and goals of the Group. Since RKI's establishment, he has been (until his re-designation as co-chairman in May 2017) the chairman of RKI and an executive director of RKI. He is also the chairman of Wai Kee, the Controlling Shareholder of RKI. He has extensive experience in civil engineering, construction material, infrastructure and property development in Hong Kong and the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zen graduated from the Chinese University of Hong Kong with a Bachelor of Science (Physics) degree in October 1971. In September 2000, Mr. Zen obtained a Master of Business Administration degree from the Asia International Open University, Macau. He has been a member of the Institute of Quarrying in the United Kingdom since June 1987 and a member of the Hong Kong Institution of Engineers since August 2000. He was admitted as a fellow member of the Hong Kong Institution of Highways and Transportation in June 2000.

Mr. Zen also plays an active role in various government committees, chambers of commerce and trade associations. Mr. Zen was appointed by the Shenzhen Provincial Government as a member of the Chinese People Political Consultative Conference of Shenzhen during 1996 to 2005. He has been the vice-chairman of the China Real Estate Chamber of Commerce (全國工商聯房地產商會) and the Hong Kong Changzhou Trade Association (香港常州商會) respectively since November 2007 and April 2008. From September 2009 onwards, Mr. Zen has served as a consultant of the 4th Changzhou Wujin District Overseas Friendship Association (常州市武進區海外聯誼會第四屆) and a council member of the 4th and 5th council of the China Overseas Exchange Association (中國海外交流協會). On 7 May 2016, Mr. Zen became the honorary chairman of the Hong Kong Hebei Fraternity (香港河北聯誼會). On 27 December 2016, Mr. Zen became the honorary chairman of Guangzhou Huadu Tourism Association. Further, he is currently the vice chairman of the Shanghai Real Estate Chamber of Commerce (上海市工商聯房地產商會).

In addition, Mr. Zen is a Crown Officer of Belgium, an Honorary Citizen of Foshan, (佛山市榮譽市民), an Honorary Citizen of Shenzhen (深圳市榮譽市民) and an Honorary Citizen of Wujin District of Changzhou (常州市武進區榮譽市民).

Mr. Yu Kam Fat, aged 61, joined our Group in 1998 and is an executive Director and Chief Executive Officer. He is currently responsible for overseeing and managing the Group's daily operations and investments.

Mr. Yu has over 37 years of experience in civil engineering and project management.

<u>Period of Services</u>	<u>Name of Companies</u>	<u>Principal Business Activities</u>	<u>Position</u>	<u>Responsibility</u>
1980 to 1990	Scott Wilson Ltd	Provision of engineering consultancy services	Senior engineer (position last held)	Responsible for numerous design projects and site works
1994 to 1996	Scott Wilson Ltd	Provision of engineering consultancy services	Principal engineer	Responsible for Private Client Section
1996 to 26 June 1998	Scott Wilson Ltd	Provision of engineering consultancy services	Associate	Responsible for China Section

Mr. Yu graduated from Queen Mary College, the University of London with a Bachelor of Science (Engineering) degree in August 1979. In August 1980, he obtained a Master of Science (Civil Engineering) degree from Imperial College of Science and Technology, the University of London. He is a chartered engineer in the United Kingdom. He became a member of the Institution of Structural Engineers, London in November 1985 and is now a

DIRECTORS AND SENIOR MANAGEMENT

chartered member of the same institution. He has also been a member of both the Institution of Highways and Transportation and the Institution of Civil Engineers since September and December 1988 respectively. He also became a registered professional engineer in Hong Kong in May 1998. He was a member of the Hong Kong Institution of Engineers during April 1986 to September 1998 and has been a fellow member of the same institution since September 1998. Since 1999, he became a member of the Hong Kong Institution of Highways and Transportation.

Mr. Lee Tak Fai, aged 51, joined the Group in 2007 and is our Chief Financial Officer. He is responsible for overseeing and managing the Group's daily operations and overall corporate financial, accounting and internal control matters.

Mr. Lee has over 25 years of experience in accounting, assurance and business advisory services. The following table sets forth the summary of Mr. Lee's working experience prior to joining our Group:

Period of Services	Name of Companies	Principal Business Activities	Position	Responsibility
July 1990 to November 1997	Coopers & Lybrand	Provision of accounting services	Manager—audit division	Providing auditing services
November 1997 to November 1999	PricewaterhouseCoopers	Provision of accounting services	Senior manager—assurance and business advisory division (position last held)	Providing assurance and business advisory services
July 2000 to November 2001	Arthur Andersen	Provision of accounting services	Manager—assurance and business advisory division	Providing assurance and business advisory services
December 2001 to March 2003	Ernst & Young	Provision of accounting services	Senior manager—assurance and advisory business division	Providing assurance and business advisory services
March 2003 to October 2004	China Electronics Corporation Holdings Company Limited (formerly known as Winsan (China) Investment Group Company Limited) (listed on the Stock Exchange, stock code: 85)	Operation of Transonline and provision of fully-integrated broadband and cable television related platform and equipment for cable television and telecommunication services operators	Financial controller	Overseeing the finance and accounting functions of the company
January 2005 to April 2007	China Properties Group Limited (listed on the Stock Exchange, stock code: 1838)	Property development and investment	Assistant general manager—corporate finance department	Initially overseeing the group's finance function and subsequently overseeing the corporate finance department

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Science degree in December 1990. In August 2010, he obtained a Master of Science (Finance) degree from the Dearborn College of Business, University of Michigan. He is a fellow of the Association of Chartered Certified Accountants and has been its associate since 1993. He is also a fellow of the Hong Kong Institute of Certified Public Accountants and has been its associate since 1994.

Independent non-executive Directors

Mr. Wong Wai Ho, aged 68, was appointed as an independent non-executive Director on 19 June 2017. Mr. Wong was an independent non-executive director of RKI since May 2014 and has resigned with effect from Listing. He was an executive director of Chinese Strategic Holdings Limited (previously known as Proactive Technology Holdings Limited during Mr. Wong's term of directorship and a company listed on the Stock Exchange, stock code: 8089) from February 2000 to May 2006.

Mr. Wong has extensive experience in trade promotion. As early as 1979, he as a member of the Hong Kong Trade Development Council (the "HKTDC") promoted Hong Kong trade in the United States. From 1982 to 1985, he was a Manager of the HKTDC. He was the Mission Secretary of the delegation of the HKTDC's mission to Beijing, Shanghai and Guangzhou in October to November 1982 and a member of the delegation of HKTDC's Hong Kong Economic & Trade Mission to Shanghai in May 1985. He was HKTDC's representative at its offices in various countries and cities, namely as Representative in Panama in 1980, Representative in Beijing in 1986 and Canada Representative from April 1990 to April 1993. He was a member of the executive committee of the Canadian Chamber of Commerce in Hong Kong from 2012 to 2016 and he was a consultant of the World Trade Centres Association (Hong Kong) in 2013. He also has work experience in the financial industry.

Mr. Wong graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration (Major in Accounting) degree in October 1971. In June 2004, he obtained a Master of Law degree from the Renmin University of China.

Mrs. Chow Liang Shuk Yee, Selina, aged 72, was appointed as an independent non-executive Director on 19 June 2017. She was the chairman and independent non-executive director of Larry Jewellery International Company Limited (a company listed on the Stock Exchange, stock code: 8351) from November 2012 to October 2014. Mrs. Chow graduated from the University of Hong Kong with a Bachelor of Arts degree in 1965.

Mrs. Chow has been active in public service in Hong Kong. She was an appointed member of the Legislative Council from 1981 to 1995. From 1995 to 1997, she was a functional constituency member of the Legislative Council, representing the wholesale and retail sector. During 1997 to 1998, she was elected as a member of the Provisional Legislative Council. In 1998, she again served as a functional constituency member of the Legislative Council until 2004. In 2004, she was elected as a representative of the geographical constituency of the New Territories West, a position in which she served until 2008. Mrs. Chow also served as an Executive Council member during 1991 to 1992 and 2003 to 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mrs. Chow served as a member of a large number of boards and committees of public bodies. She was much involved in the promotion of tourism of Hong Kong. In 2000, she became the chairman of the Hong Kong Tourist Association. The Hong Kong Tourist Association was later replaced by the Hong Kong Tourism Board in 2001 and she continued to serve as its chairman until 2007. From 2000 to 2007, she was a member of the Hong Kong Trade Development Council. She was a member of the Commission on Strategic Development from 2005 to 2009 and a member of the Greater Pearl River Delta Business Council from 2004 to 2010.

Mrs. Chow was awarded the Order of the British Empire in 1985 and the Gold Bauhinia Star in 2002. She is also a Justice of the Peace. She was a member of the Election Committee responsible for electing the current and next Chief Executive of Hong Kong.

Mrs. Chow is currently a member of the National Committee of the Chinese People's Political Consultative Conference, the honorary adviser to the Quality Tourism Services Association, the honorary adviser to Against Child Abuse, the honorary patron of Children's Heart Foundation and a patron of Lok Chi Society.

Dr. Ng Chung Wai, David, aged 57, was appointed as an independent non-executive Director on 19 June 2017.

Dr. Ng has extensive experience in the accounting field. He was the managing partner of Arthur Andersen & Co's business consulting practice in Greater China. From 2007 to 2010, he was a partner of Ernst & Young. He was its managing director—finance of Far East Area encompassing 18 jurisdictions in Asia. He is currently the deputy chairman of the remuneration committee of the Hong Kong Institute of Certified Public Accountants, a member of the professional development sub-committee of the Hong Kong branch of the Association of Chartered Certified Accountants and a member of the China Committee of the Hong Kong General Chamber of Commerce.

Dr. Ng graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in November 1981. He then obtained a Doctor of Business Administration degree from the City University of Hong Kong in July 2012. He has been a fellow of the Association of Chartered Certified Accountants since 1989 and a fellow of the Hong Kong Institute of Certified Public Accountants since 2002. He was admitted as an associate of The Institute of Chartered Accountants in England and Wales in 2007 and as a member of CPA Australia since 2010. He has also been a fellow of The Hong Kong Institute of Directors since 2009.

Dr. Ng is currently the managing director of TPI (Holdings) Company Limited, a private firm advising and collaborating with clients on direct investments in Hong Kong and the PRC.

Dr. Sui Shujing, aged 47, was appointed as an independent non-executive Director on 19 June 2017. She is also a non-executive director of Changyuan Group Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600525_SH).

Dr. Sui has extensive experience in the legal field in the PRC. She has been a partner of Deheng Law Offices (Shenzhen) since June 2011. Previously, she was a partner of Guangdong Guanghe Law Firm from December 2000 to November 2005 and a partner of Guangdong Sincere Partners & Attorneys from November 2005 to May 2011. In March 2014,

DIRECTORS AND SENIOR MANAGEMENT

she was appointed as a mediator by the Mediation Centre of South China International Economic and Trade Arbitration Commission (Mediation Centre of Shenzhen Court of International Arbitration) for a period of three years from 15 March 2014 to 14 March 2017. In October 2015, she was appointed as an arbitrator by the Southern China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration) for a period of three years from 1 December 2015 to 30 November 2018. In April 2013, she was awarded the title of first class lawyer by the Department of Human Resources and Social Security of Guangdong Province.

Dr. Sui graduated from the Dalian University of Technology with a Bachelor of Engineering degree in July 1992. She then obtained a Master of Law degree from the Renmin University of China in July 1998 and a Doctor of Law degree from the Wuhan University in June 2009. In November 2013, Dr. Sui obtained an Executive Master of Business Administration degree from the Chinese University of Hong Kong. Dr. Sui was the deputy director of the Committee on Corporate Law of Guangdong Lawyers Association. She also served as the deputy director of the International and Hong Kong and Macau Committee of Shenzhen Lawyers Association from May 2015 to April 2017. She has also been a member of the Legal Writing Association of China Law Society since September 2016.

Save as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business.

Save as disclosed above, none of our Directors holds any other directorship in any other public company, the shares of which are listed in Hong Kong or overseas stock markets, during the three years immediately preceding the date of this prospectus. For more details about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in Shares (within the meaning of Part XV of the SFO), see “Appendix VI—Statutory and General Information”. Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

Mr. Li Jianjun, aged 50, joined our Group in November 1999 and is currently a general manager of the toll road division. He is responsible for the day-to-day management of the expressway projects, overseeing and coordinating the expressway projects and project managers, and reporting to the Chief Executive Officer.

Mr. Li has extensive experience in financial and accounting management as well as toll road operation in the PRC. Prior to joining our Group, Mr. Li worked at China Road and Bridge Corporation (中國路橋(集團)總公司) starting from 1989 as an account clerk, an assistant accountant and then an accountant in its financial and accounting department, and he later worked as the chief accountant of its branch office in the United Arab Emirates from 1994 to 1997. After leaving China Road and Bridge Corporation, Mr. Li joined the Group in November 1999 as an assistant project manager and was subsequently promoted to the positions of project manager, senior project manager and deputy general manager of the toll road division

DIRECTORS AND SENIOR MANAGEMENT

respectively in October 2002, January 2008 and December 2009 before becoming a general manager of the toll road division in September 2010.

Mr. Li graduated from the Changsha Jiao Tung College (長沙交通學院), which is now known as the Chang Sha University of Science and Technology, with a Bachelor of Engineering (Engineering Financial Accounting) (工學學士(工程財務會計)) degree in July 1989. He then qualified as a chartered accountant in the PRC in November 1993. In September 1999, Mr. Li obtained an International Master of Business Administration degree from the University of Waikato.

Mr. Wang Jianguo, aged 57, joined our Group in October 1997 and is currently a deputy general manager of the project management division. He is responsible for the day-to-day management of the expressway projects, operation of the expressways that we have interests in and reporting to the Chief Executive Officer.

Mr. Wang has extensive experience in financial and accounting management as well as toll road operation in the PRC.

In October 1997, Mr. Wang joined our Group as a project liaison officer and was later promoted to the positions of accounts manager and deputy project manager, project manager and senior project manager of various toll road projects. In May 2011, Mr. Wang became a deputy general manager of the project management division.

Mr. Wang completed a post-secondary course in financial accounting from the Renmin University of China in January 1992 by means of long distance learning courses.

Mr. Li Jianzhong, aged 61, joined our Group in September 2000 and is currently a deputy general manager of the project management division. He is responsible for the day-to-day management of the expressway projects, operation of the expressways that we have interests in and reporting to the Chief Executive Officer.

Mr. Li has extensive experience in toll road operation in the PRC. In September 2000, Mr. Li joined our Group as a toll collection manager and was later promoted to the positions of deputy project manager, project manager and senior project manager of various projects. In September 2010, Mr. Li became a deputy general manager of the project management division.

Mr. Li completed a post-secondary course in economics at the Henan Provincial Party School Higher Education in December 1996 by means of long distance learning courses. He was granted the professional and technical qualifications of assistant engineer specialising in traffic by the Personnel Department of Henan Province in August 1998.

Save as disclosed above, none of our senior management members holds any directorships in any public company, the shares of which are listed in Hong Kong or overseas stock markets, during the three years immediately preceding the date of this prospectus.

Saved as disclosed above, none of our Directors and members of senior management is related to other Directors and members of the senior management.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Fong Shiu Leung, Keter, aged 54, was appointed as our company secretary on 1 December 2016. Mr. Fong is also an executive director and the company secretary of RKI since 2000. He has extensive experience in the auditing, accounting and business advisory profession. Mr. Fong graduated from the University of South Australia (previously known as the South Australian Institute of Technology) with a Bachelor of Arts degree in Accountancy in May 1985. He became a certified practising accountant in Australia in March 1992 and a fellow of the Hong Kong Institute of Certified Public Accountants since July 1999.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance to safeguard the interests of our Shareholders as a whole. To accomplish this, we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Our Board will be responsible for ensuring that good corporate governance policies and practices are implemented within the Group, including developing and reviewing such policies and practices on corporate governance, training and continuous professional development, legal and regulatory compliance and reporting on compliance with the Corporate Governance Code under the Listing Rules.

BOARD COMMITTEES

We have established the following committees under the Board: Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee. The committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of 3 members, namely Dr. Ng Chung Wai, David, Mr. Wong Wai Ho and Dr. Sui Shujing. Dr. Ng Chung Wai, David has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems, and to nominate and monitor external auditors.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of 3 members, namely Mrs. Chow Liang Shuk Yee, Selina, Mr. Zen Wei Pao, William and Mr. Wong Wai Ho. Mrs. Chow Liang Shuk Yee, Selina, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of 3 members, namely Dr. Sui Shujing, Mr. Zen Wei Pao, William and Dr. Ng Chung Wai, David. Dr. Sui Shujing, our independent non-executive Director, has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company and to oversee the process for evaluating the performance of the Board.

Investment Committee

We have established the Investment Committee with written terms of reference. The Investment Committee consists of 5 members, namely Mr. Yu Kam Fat, our Chief Executive Officer, Mr. Zen Wei Peu, Mr. Lee Tak Fai, our Chief Financial Officer, and Mr. Wong Wai Ho and Mrs. Chow Liang Shuk Yee, Selina, our independent non-executive Directors. Mr. Zen Wei Peu, who was appointed by our Board as a member of the Investment Committee, has been the executive director of RKI since its incorporation and has been re-designated as the co-chairman since May 2017 and he has depth of knowledge of the toll road industry and business operations. Meetings of the Investment Committee shall be convened by Mr. Yu Kam Fat, our Chief Executive Officer. The primary duties of the Investment Committee are to develop and make recommendations on the Group's investment strategy, to review and recommend changes to such investment strategy as and when necessary, to review and make recommendations to the Board on proposed acquisition and disposal opportunities and corresponding financing solutions, to study the overall strategic plan of the Company and to monitor the implementation of investment strategy approved by the Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive their remuneration in the form of salary and allowances, employer's contribution to pension schemes, annual bonuses and independent directors' fee, discretionary bonus, housing allowances and other benefits in kind.

For the years ended 31 December 2014, 2015 and 2016, the total remuneration paid by our Group to the Directors amounted to approximately HK\$9.3 million, HK\$8.4 million and HK\$7.4 million, respectively.

For the years ended 31 December 2014, 2015 and 2016, the total emoluments paid by our Group to the five highest paid individuals (including our Directors) amounted to approximately HK\$13.5 million, HK\$13.1 million and HK\$11.7 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration payable to the Directors for the year ending 31 December 2017 to be approximately HK\$8.3 million.

For the years ended 31 December 2014, 2015 and 2016, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us

DIRECTORS AND SENIOR MANAGEMENT

or as compensation for loss of office. Save as disclosed above, none of the Directors waived their remuneration during the relevant period.

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee, which will take into account factors including with reference to our corporate goals and objectives, the duties and responsibilities of relevant employees and prevailing market situation with the aim of ensuring that they are adequately but not excessively compensated for the time and efforts they dedicate to the Group.

None of the Directors and senior management holds any interest in the Shares as set in Part XV of the Securities and Futures Ordinance, as of the Latest Practicable Date. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, save as disclosed herein, there was no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

EMPLOYEES

As of 31 December 2016, we had a total of 59 employees (excluding employees of the Expressway JVs). The remuneration packages of our employees primarily consist of salaries, bonuses, provident fund, insurance, medical cover, training programmes as well as share options. As required by the relevant PRC regulations, we participate in various pension schemes for our employees, including basic pension schemes and corporate annuity schemes. See "*Business—Social Security Schemes*" for the description of the various social security schemes we participate in. In 2014, 2015 and 2016, we incurred staff costs of approximately HK\$44.8 million, HK\$45.4 million, HK\$36.9 million, respectively (excluding the directors' emoluments).

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISER

We have agreed to appoint First Shanghai Capital Limited as the compliance adviser upon listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rules 3A.23 and 3A.24 of the Listing Rules, the compliance adviser will discharge the following responsibilities:

- (a) ensure our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (b) accompany our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (c) review and advise on the listing documents and waivers of our Company;

DIRECTORS AND SENIOR MANAGEMENT

- (d) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in Rule 3A.23 of the Listing Rules;
- (e) in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise our Company on its obligations and in particular, the requirement to appoint an independent financial adviser; and
- (f) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a Director, and make recommendations to the Board regarding the Directors.

The terms of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

OUR SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), our substantial shareholders (for the purposes of the Listing Rules) are set forth below:

Interests in our Company

Name	Number of Shares held immediately following completion of the Global Offering ⁽¹⁾⁽²⁾	Approximate shareholding percentage in our Company immediately following completion of the Global Offering ⁽¹⁾
RKI ⁽³⁾	1,131,500,000	73%
New Select ⁽³⁾	1,131,500,000	73%

Notes:

- (1) The calculation is based on the total number of Shares in issue immediately following the completion of the Global Offering (and assumes that the Over-allotment Option is not exercised).
- (2) All interests stated are long positions.
- (3) 1,131,500,000 Shares will be directly held by New Select, which is directly wholly-owned by RKI.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital as of the date of this prospectus and immediately after completion of the Global Offering:

	HK\$
Authorised Share capital:	
2,000,000,000 Shares	200,000,000
Issued Share capital as of the date of this prospectus:	
500,000,000 Shares	50,000,000
Total issued and to be issued Shares on completion of the Global Offering and the Capitalisation Issue:	
1,550,000,000 Shares	155,000,000

The table above assumes the Global Offering and the Capitalisation Issue become unconditional and are completed in accordance with their respective relevant terms and conditions. It takes no account of (a) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (b) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

Other than the Global Offering, we do not propose to carry out a public or private issue or to place securities simultaneously with the Global Offering or within the next six months.

We have given certain undertakings in respect of the issue of our Shares and other securities. See “*Underwriting—Underwriting Arrangements and Expenses—Undertakings to the Stock Exchange pursuant to the Listing Rules*” and “*Underwriting—Underwriting Arrangements and Expenses—Undertakings Pursuant to the Hong Kong Underwriting Agreement—Undertakings by the Company*” for more details.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Bermuda Companies Act and the terms of the Bye-laws, our Company may from time to time by ordinary resolution of our Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; (v) change the currency denomination of its share capital, (vi) make provision for the issue of shares without voting rights, and (vii) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Bermuda Companies Act reduce its share capital or share premium account by its shareholders passing a special resolution.

SHARE CAPITAL

Further, under the Bye-laws, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class.

For details of circumstances under which our shareholders' general meeting and class shareholders' meeting are required, see "*Appendix IV—Summary of the Constitution of the Company and Bermuda Company Law*".

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "*Appendix VI—Statutory and General Information—D. Share Option Scheme*".

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers with an aggregate of not exceeding 20% of the aggregate number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following the completion of the Global Offering.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement in accordance with the Bye-laws.

This general mandate to issue Shares and to make or grant offers, agreements and options which would or might require the exercise of such powers will expire:

- (a) at the conclusion of our next annual general meeting following the passing of the resolution granting the general mandate to issue Shares;
- (b) the expiration of the period within which our next annual general meeting is required by our Bye-laws or any applicable laws of Bermuda to be held; or
- (c) when revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For more details relating to this general mandate, see "*Appendix VI—Statutory and General Information—A. Further Information about our Company and our Group—4. Written resolutions of our sole Shareholder*".

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with an aggregate of not exceeding 10% of the number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following the completion of the Global Offering and subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. For a summary of the relevant Listing Rules, see “Appendix VI—Statutory and General Information—A. Further Information about our Company and our Group—6. Repurchase of the Shares by our Company”.

The general mandate to repurchase Shares will expire:

- (a) at the conclusion of our next annual general meeting following the passing of the resolution granting the general mandate to repurchase Shares;
- (b) the expiration of the period within which our next annual general meeting is required by our Bye-laws or any applicable laws of Bermuda to be held; or
- (c) when revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For more details of this general mandate, see “Appendix VI—Statutory and General Information—A. Further information about our Company and our Group—4. Written resolutions of our sole Shareholder”.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the Accountants' Report on Historical Financial Information (together with the accompanying notes) as set out in Appendix I to this prospectus. Unless otherwise noted, our financial information is prepared in conformity with HKFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The Group's development, operation and management of the expressways that we have interests in are conducted through joint ventures. The Group does not consolidate the joint ventures' toll revenue and expenses under the relevant HKFRS accounting rules, but results and net assets of the joint ventures are incorporated in the Company's combined financial statements using the equity method of accounting.

We have also prepared and included the Group's proportionate share of the Expressway JVs' results based on the profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods and selected financial information on the Expressway JVs in Appendix I to this prospectus because we believe such information provides investors with a more complete representation of the overall results of the businesses which we operate through the Expressway JVs and/or in which we have an interest. These are some of the measures reported to our chief operating decision maker for the purposes of resource allocation and performance assessment. This information is extracted from notes 6 and 16 of the Accountants' Report on Historical Financial Information. In addition, the year to year management discussion and analysis on each Expressway JV is included as supplemental information.

Pursuant to the Reorganisation, RKC, a subsidiary of the Group, disposed of its highway business on 28 September 2016. As a result, the highway business is presented as discontinued operation while the expressway business that is conducted through joint ventures is presented as continuing operations.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in "Forward-Looking Statements", "Risk Factors" and "Business" and elsewhere in this prospectus.

In 2016, RKI changed the presentation of certain financial information in relation to its toll road business. As a result, the presentation of financial information prior to 2016 by RKI relating to its toll road business may not be directly comparable to the financial information regarding the Expressway JVs contained in this prospectus. Consequently, investors should rely on the information contained in this prospectus when making an investment decision concerning our Shares. See "Risk Factors—Risks Relating to Our Business and Operations—The financial reports of RKI include certain financial information regarding the Expressway JVs, which may not be directly comparable to the financial information regarding the Expressway JVs in this prospectus" for more details.

Certain financial information contained in this section is not in accordance with HKFRS. These numbers may not be directly comparable to the HKFRS numbers and should not be considered in isolation or construed as a substitute for analysing the HKFRS numbers. Investors should not place undue reliance on the non-HKFRS financial measures. See "Risk Factors—Risks Relating to Our Business and Operations—Certain financial information contained in this prospectus is non-HKFRS, which may not be directly comparable to that prepared in accordance with HKFRS" for more details.

FINANCIAL INFORMATION

OVERVIEW

We are an expressway investor and operator in the PRC with over 20 years of experience of operation in the toll road industry. Our principal activities are investment in, and the development, operation and management of, expressway projects in the PRC. Our investments in expressway projects are held, via our wholly-owned subsidiaries, in the form of Expressway JVs with their respective Expressway JV Partners.

Through our appointees on the board of directors of the Expressway JVs and our secondment of personnel to these companies, we focus on maintaining operational and cost efficiencies in our business operations. For the years ended 31 December 2014, 2015 and 2016, calculated by our proportionate share of the Expressway JVs based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods, our Group's aggregate proportionate EBITDA margin was 83.0%, 82.1% and 83.8%, respectively, and our Group's aggregate proportionate EBITDA from the Expressway JVs was approximately HK\$768.0 million, HK\$874.2 million and HK\$1,014.4 million, respectively¹.

For the years ended 31 December 2014, 2015 and 2016, our proportionate share of toll receipts (calculated based on our profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods) was approximately HK\$925.7 million, HK\$1,064.7 million and HK\$1,210.7 million, respectively; and the cash distributions we received from the Expressway JVs, including the repayment of shareholders' loans of HK\$51.6 million, HK\$55.6 million and HK\$46.3 million during these periods, were approximately HK\$464.8 million, HK\$471.2 million and HK\$550.0 million, respectively. As of 31 December 2016, the net assets of the Expressway JVs shared by the Group, calculated based on our equity contribution ratios specified in the relevant Expressway JV Contracts as at the relevant date, were approximately HK\$3,007.7 million.

Baojin Expressway

For the years ended 31 December 2014, 2015 and 2016, Baojin Expressway JV's toll receipts (net of business tax or value-added tax) were approximately HK\$706.2 million, HK\$772.3 million and HK\$794.8 million, respectively. Its EBITDA was approximately HK\$573.4 million, HK\$619.0 million and HK\$669.7 million, respectively, achieving an EBITDA margin of 81.2%, 80.2% and 84.3%, respectively for the same periods. We received HK\$224.5 million, HK\$148.6 million and HK\$200.9 million as cash distributions from Baojin Expressway JV, respectively for the same periods.

Tangjin Expressway

For the years ended 31 December 2014, 2015 and 2016, Tangjin Expressway JV's toll receipts (net of business tax or value-added tax) were approximately HK\$598.4 million, HK\$668.4 million and HK\$612.2 million, respectively. Its EBITDA was approximately HK\$495.6 million, HK\$553.9 million and HK\$502.5 million, respectively, achieving an EBITDA margin of 82.8%, 82.9% and 82.1%, respectively for the same periods. We received HK\$47.7 million, HK\$102.5 million and HK\$134.2 million as cash distributions from Tangjin Expressway JV, respectively for the same periods.

¹ EBITDA is not an HKFRS financial measure. See "*Historical Non-HKFRS Financial Ratios*" for more details.

FINANCIAL INFORMATION

Changyi Expressway

For the years ended 31 December 2014, 2015 and 2016, Changyi Expressway JV's toll receipts (net of business tax or value-added tax) were approximately HK\$652.9 million, HK\$709.6 million and HK\$749.8 million, respectively. Its EBITDA was approximately HK\$545.0 million, HK\$583.7 million and HK\$634.4 million, respectively for the same periods, achieving an EBITDA margin of 83.5%, 82.3% and 84.6%, respectively. We received HK\$141.0 million, HK\$164.6 million and HK\$168.6 million as cash distributions from Changyi Expressway JV, respectively for the same periods.

Longcheng Expressway

For the years ended 31 December 2014, 2015 and 2016, Longcheng Expressway JV's toll receipts (net of business tax or value-added tax) were approximately HK\$207.4 million, HK\$242.0 million and HK\$316.6 million, respectively. Its EBITDA was approximately HK\$170.2 million, HK\$186.4 million and HK\$253.5 million, respectively for the same periods, achieving an EBITDA margin of 82.1%, 77.0% and 80.1%, respectively for the same periods. We did not receive any cash distributions from Longcheng Expressway JV during the Track Record Period.

Machao Expressway

For the years ended 31 December 2014, 2015 and 2016, Machao Expressway JV's toll receipts (net of business tax or value-added tax) were approximately HK\$89.7 million, HK\$186.9 million and HK\$220.2 million, respectively. Its EBITDA was approximately HK\$83.4 million, HK\$173.0 million and HK\$193.9 million, respectively for the same periods, achieving an EBITDA margin of 93.0%, 92.6% and 88.1%, respectively for the same periods. We did not receive any cash distributions from Machao Expressway JV during the Track Record Period.

FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION OF GROUP

Group Accounts

The selected financial information set out below has been extracted from the combined financial statements for the Group set out in “Appendix I—Accountants’ Report on Historical Financial Information”, where it is shown with important notes describing some of the line items. This financial information reflects the contribution of the Expressway JVs using the Group’s share of results of these Expressway JVs under equity methods of accounting.

Combined Statements of Profit or Loss of the Group

	Year ended 31 December		
	2014	2015	2016
	HK\$’000	HK\$’000	HK\$’000
Continuing operations			
Other income	28,954	25,464	20,942
Other gains	755	23	43
Listing expenses	—	—	(10,000)
Administrative expenses	(58,293)	(56,677)	(51,381)
Share of results of joint ventures	242,777	307,921	452,683
Profit before taxation	214,193	276,731	412,287
Income tax expense	(29,102)	(26,207)	(24,430)
Profit for the year from continuing operations	<u>185,091</u>	<u>250,524</u>	<u>387,857</u>
Discontinued operation			
Loss for the year from discontinued operation, net of related income tax	(66,111)	(38,828)	(31,257)
Profit for the year	<u>118,980</u>	<u>211,696</u>	<u>356,600</u>

Combined Statements of Profit or Loss and Other Comprehensive Income of the Group

	Year ended 31 December		
	2014	2015	2016
	HK\$’000	HK\$’000	HK\$’000
Profit for the year	118,980	211,696	356,600
Other comprehensive income (expense)			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Exchange gain (loss) arising on translation to presentation currency	10,729	(183,314)	(311,236)
Other comprehensive income (expense) for the year	10,729	(183,314)	(311,236)
Total comprehensive income for the year	<u>129,709</u>	<u>28,382</u>	<u>45,364</u>

FINANCIAL INFORMATION

Combined Statements of Financial Position of the Group

	As of 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	905	640	379
Interests in joint ventures	4,004,726	3,628,714	3,224,190
Loans to joint ventures	206,460	148,793	92,631
	<u>4,212,091</u>	<u>3,778,147</u>	<u>3,317,200</u>
CURRENT ASSETS			
Other receivables and prepayments	186,940	181,276	2,971
Amount due from ultimate holding company	—	—	118,862
Amount due from a fellow subsidiary	645,789	711,437	628,206
Loans to joint ventures	146,675	134,976	126,059
Bank balances and cash	101,439	156,986	343,028
	<u>1,080,843</u>	<u>1,184,675</u>	<u>1,219,126</u>
CURRENT LIABILITIES			
Other payables and accruals	4,409	4,806	12,840
Amount due to ultimate holding company	383,733	462,873	—
Amount due to a joint venture	46,459	—	—
Income tax payable	—	463	—
	<u>434,601</u>	<u>468,142</u>	<u>12,840</u>
NET CURRENT ASSETS	<u>646,242</u>	<u>716,533</u>	<u>1,206,286</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,858,333</u>	<u>4,494,680</u>	<u>4,523,486</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities	42,529	26,905	22,200
NET ASSETS	<u>4,815,804</u>	<u>4,467,775</u>	<u>4,501,286</u>
CAPITAL AND RESERVES			
Share capital	2,000,000	2,000,000	2,000,000
Reserves	<u>2,815,804</u>	<u>2,467,775</u>	<u>2,501,286</u>
TOTAL EQUITY	<u>4,815,804</u>	<u>4,467,775</u>	<u>4,501,286</u>

Summarised Combined Statements of Cash Flows of the Group

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(75,952)	(94,988)	(61,820)
NET CASH FROM INVESTING ACTIVITIES	93,196	482,250	615,516
NET CASH USED IN FINANCING ACTIVITIES	(76,642)	(326,039)	(347,662)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(59,398)	61,223	206,034
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	160,806	101,439	156,986
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	31	(5,676)	(19,992)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u>101,439</u>	<u>156,986</u>	<u>343,028</u>

FINANCIAL INFORMATION

PROPORTIONATE SHARE OF THE EXPRESSWAY JVS

Selected Financial Information on Our Proportionate Share of the Expressway JVs (Calculated Based on Summarised Financial Information of Material Joint Ventures and Profit/Cash Sharing Ratios Specified in the Relevant Expressway JV Contracts for the Relevant Periods)^{1,2}

	For the year ended 31 December 2014					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%	30%	50%	45%	49%	
Segment revenue (toll revenue)	282,483	179,524	326,426	93,324	43,958	925,715
Construction revenue	21,101	55,279	—	108,737	100,470	285,587
Construction costs	(21,101)	(55,279)	—	(108,737)	(100,470)	(285,587)
Other income	2,104	150	2,210	2,811	619	7,894
Toll operation expenses . . .	(42,561)	(21,189)	(42,930)	(13,380)	(1,910)	(121,970)
Administrative expenses . . .	(12,650)	(9,808)	(13,201)	(6,170)	(1,784)	(43,613)
EBITDA	229,376	148,677	272,505	76,585	40,883	768,026
Depreciation and amortisation	(49,929)	(53,147)	(91,261)	(20,412)	(8,876)	(223,625)
Finance costs	—	—	(20,038)	(107,682)	(43,856)	(171,576)
Income tax expenses	(44,421)	(29,553)	(42,035)	(14,039)	—	(130,048)
Segment results (share of results of joint ventures)	<u>135,026</u>	<u>65,977</u>	<u>119,171</u>	<u>(65,548)</u>	<u>(11,849)</u>	<u>242,777</u>

¹ Construction revenue generated from construction and upgrading services rendered by the Expressway JVs is recognised under the percentage of completion method. The percentage of completion is measured on the basis of contract costs incurred up to the end of each reporting period as a percentage of total estimated costs to be incurred for each service. Such accounting treatment is in compliance with the Hong Kong (IFRIC) Interpretation 12. The fair value of the construction revenue recognised by the Expressway JVs is approximate to the construction costs incurred based on the percentage of completion method and no profit or loss is contributed by the construction income during the relevant periods in this regard. As a result, the construction revenue is equal to the construction costs during the relevant period, and thus has no net effect on our operating profit or profit for the relevant period. Construction revenue and costs are not financial information of Expressways JV which are regularly reviewed by the chief operating decision maker of the Group and therefore they are excluded from the Segment Information as disclosed in note 6 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. See "Supplemental Financial Information—Description of Selected Items of Summarised Financial Information of the Expressway JVs—Construction Revenue" for more details.

² The amortisation of intangible assets (excluding the subsequent capitalisation of major maintenance and repair costs), net of tax effect, is shared by the Group in accordance with the equity contribution ratio of the Group. In addition, the amortisation of the subsequent capitalisation of major maintenance and repair costs shared by the Group in accordance with profit/cash sharing ratio of the Group.

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For the year ended 31 December 2015						
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%	30%	50%	45%	49%	
Segment revenue (toll revenue)	308,900	200,524	354,805	108,911	91,581	1,064,721
Construction revenue	18,963	29,512	—	22,434	14,754	85,663
Construction costs	(18,963)	(29,512)	—	(22,434)	(14,754)	(85,663)
Other income	2,388	1,294	2,170	1,600	2,241	9,693
Toll operation expenses	(52,672)	(26,050)	(49,531)	(21,863)	(4,974)	(155,090)
Administrative expenses	(11,011)	(9,596)	(15,611)	(4,783)	(4,085)	(45,086)
EBITDA	247,605	166,172	291,833	83,865	84,763	874,238
Depreciation and amortisation	(56,089)	(61,688)	(97,959)	(20,591)	(16,988)	(253,315)
Finance costs	—	—	(13,804)	(98,260)	(63,122)	(175,186)
Income tax expenses	(48,637)	(30,909)	(44,805)	(13,465)	—	(137,816)
Segment results (share of results of joint ventures)	<u>142,879</u>	<u>73,575</u>	<u>135,265</u>	<u>(48,451)</u>	<u>4,653</u>	<u>307,921</u>
For the year ended 31 December 2016						
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000 30% (during January) 45% (February onward)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%		50%	45%	49%	
Segment revenue (toll revenue)	317,908	267,484	374,888	142,484	107,914	1,210,678
Construction revenue	7,147	—	—	12,883	6,411	26,441
Construction costs	(7,147)	—	—	(12,883)	(6,411)	(26,441)
Other income	2,506	1,118	1,682	569	649	6,524
Toll operation expenses	(41,730)	(34,389)	(44,381)	(23,704)	(8,952)	(153,156)
Administrative expenses	(10,817)	(14,010)	(14,996)	(5,270)	(4,582)	(49,675)
EBITDA	267,867	220,203	317,193	114,079	95,029	1,014,371
Depreciation and amortisation	(56,724)	(80,895)	(91,250)	(26,903)	(26,930)	(282,702)
Finance costs	—	—	(8,735)	(74,792)	(51,385)	(134,912)
Income tax expenses	(51,135)	(35,855)	(54,488)	(2,596)	—	(144,074)
Segment results (share of results of joint ventures)	<u>160,008</u>	<u>103,453</u>	<u>162,720</u>	<u>9,788</u>	<u>16,714</u>	<u>452,683</u>

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of all the companies now comprising the Group on 19 June 2017. As RKI controlled all the companies now comprising the Group since their respective dates of incorporation/establishment or up to the date of disposal before and after the Reorganisation and that the control is not transitory, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is

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regarded as a continuing entity. The Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting of Common Control Combinations” issued by the HKICPA.

The combined statements of profit or loss, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period, except for the subsidiaries disposed of by the Group during the Track Record Period as disclosed in note 25 to the Accountants’ Report on Historical Financial Information set out in Appendix I to this prospectus, which are included in the Group’s financial information up to date of disposal by the Group.

The combined statements of financial position of the Group as of 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current Group structure upon completion of the Reorganisation had been in existence as of those dates except for the subsidiaries disposed of by the Group during the Track Record Period as disclosed in note 25 to the Accountants’ Report on Historical Financial Information set out in Appendix I to this prospectus, which are included in the Group’s financial information taking into account the respective dates of disposal by the Group.

The financial statements of the Group as of or for 31 December 2014, 2015 and 2016 have been prepared in conformity with HKFRSs issued by the HKICPA.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified the following accounting policies that are significant to the preparation of the financial statements of the Group, and which are important for an understanding of their financial position and results of operations.

Some of the accounting policies involve making judgments and estimates that affect items reported in these financial statements. The making of these judgments and estimates is fundamental to our results of operations and financial condition and requires management to make subject and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows. We also have other policies that we consider to be key accounting policies, which are set forth in notes 4 and 5 to the Accountants’ Report on Historical Financial Information set out in Appendix I to this prospectus for more details.

Save as otherwise disclosed in this section, the accounting policies, judgments and estimates made in preparing the financial statements have not changed during the Track

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Record Period. Furthermore, the estimates of our financial performance based on the accounting policies and certain subjective judgments and assumptions made by management have not produced materially different results when compared to our actual results of operations. Going forward, we will continue to use similar accounting policies, assumptions and subjective judgements to report our future results of operations and financial condition.

Basis of Combination

Financial information of our Group incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company (1) has the power over the investee; (2) is exposed, or has right to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns. See notes 4 and 5 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for more details.

Interests in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Expressway JVs are Sino-foreign joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

The results and assets and liabilities of the Expressway JVs are incorporated in the combined financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The financial statements of the Expressway JVs used for equity accounting purposes are prepared using uniform accounting policies with those of the Group for like transactions and events in similar circumstances. Under the equity method, our investments in Expressway JVs are initially recognised in our Group's combined statement of financial position at cost and adjusted thereafter to recognise our share of the profit or loss and other comprehensive income of the Expressway JVs.

When our Group's share of losses of a joint venture equals or exceeds our interest in that joint venture (which includes any long-term interests that, in substance, form part of our Group's net investment in the jointly controlled entity), our Group discontinues recognising that share of further losses. Additional losses are recognised only to the extent our Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. In the case that our Group's share of losses of an Expressway JV equals or exceeds our interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), we will discontinue recognising its share of further losses, unless we incur legal or constructive obligations or made payments on behalf of that Expressway JV.

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The requirements of HKAS 39 “Financial Instruments: Recognition and Measurement” are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The management of the Company considers that no recognition of impairment loss is necessary, notwithstanding the losses of Longcheng Expressway JV in 2014 and 2015 and the loss of Machao Expressway JV in 2015, based on the following reasons:

- Longcheng Expressway and Machao Expressway have experienced continuous growth in their traffic flow during the Track Record Period. Longcheng Expressway’s and Machao Expressway’s traffic flow grew at a CAGR of 17.9% and 37.9%, respectively. Both Expressway JVs earned a profit in 2016.
- Both Longcheng and Machao Expressway JVs had strong EBITDAs during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016, the EBITDA of Longcheng Expressway JV were HK\$170.2 million, HK\$186.4 million and HK\$253.5 million, respectively and the EBITDA of Machao Expressway JV were HK\$83.4 million, HK\$173.0 million and HK\$193.9 million, respectively. The losses incurred by the Expressway JVs were due to the significant finance costs borne by these Expressway JVs in the early stages of their respective concession periods.
- Both Longcheng and Machao Expressway JVs are still in the ramp-up phase. The operation of Longcheng Expressway commenced in July 2012 and the operation of Machao Expressway commenced in December 2013. At the end of each reporting period, the management reviewed the carrying amounts of its interests in these Expressway JVs and concluded that (i) even though they had a loss, they were still in the ramp-up phase with long concession periods remaining; (ii) there has been continuous growth in these Expressway JVs’ toll revenue and EBITDA; and (iii) the projected net cash inflows to be generated from these Expressway JVs in the remaining concession periods were higher than the carrying amounts of the respective Expressway JVs at the end of each reporting period.
- The Group expects to receive cash distributions from Longcheng and Machao Expressway JVs from the end of 2017 onwards.

In acquiring a joint venture, any excess of the cost of the investment over our share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of our Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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When a Group entity transacts with the joint venture, profits and losses resulting from the transactions with the joint venture are recognised in our Group's combined financial statements only to the extent of interests in the joint venture that are not related to our Group.

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Expressway JVs, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The annual amortisation is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the underlying toll roads over the respective remaining concession periods to the net carrying value of the assets. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the combined financial statements, the assets and liabilities of our Group's entities and the Expressway JVs are translated into the presentation currency of our Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of "foreign currency translation reserve".

Intangible assets

The joint ventures have been granted by certain government authorities and their designees (the "**Grantors**") the rights to operate the toll expressways and highways during the approved operating periods. According to the respective joint venture agreements, the joint ventures are responsible for the operation and management, maintenance and overhaul of the toll expressways and highways during the approved operating periods. The toll fees collected during the operating periods are attributable to the joint ventures. The relevant toll expressways and highways are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the joint ventures.

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The joint ventures apply the intangible asset model to account for toll expressways and highways infrastructures where they are paid by the users of the toll expressways and highways. The Grantors do not provide any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the Grantors to the joint ventures to charge users of the toll expressway and highway services and are recorded in the statements of financial position of the joint ventures as “Concession intangible assets” and are stated at cost less accumulated amortisation and impairment, if any.

Amortisation of Concession Intangible Assets

We calculate amortisation of the concession intangible assets based on the ratio of the actual 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 by the management 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 of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc. Adjustments may need to be made to our Group’s share of amortisation of concession intangible assets should there be a material difference between the projected total traffic volume and the actual traffic volume.

For the years ended 31 December 2014, 2015 and 2016, the share of results of joint ventures from continuing operations included the share of amortisation of concession intangible assets of HK\$191.1 million, HK\$221.2 million and HK\$244.4 million, respectively. The management of the Group considers that the amortisation is calculated by reference to the best estimates of the total expected traffic volumes of the underlying expressways and they should not be materially different from the actual traffic volumes in future. The management of the Group has recently reviewed the projections of the expressways’ traffic volumes from 2017 to the end of their concession periods. The amortisation of concession intangible assets from 2017 onwards is calculated with reference to the revised projections, and, as a result, the future amortisation of concession intangible assets has been adjusted from previous estimates. For Baojin Expressway, Tangjin Expressway and Changyi Expressway, the updated projections of traffic volumes are in the range of 11% to 29% higher than the previous projections, which may result in decreased amortisation of concession intangible assets in the future. For Longcheng Expressway and Machao Expressway, the updated projections of traffic volumes are in the range of 2% to 16% lower than the previous projections, which may result in increased amortisation of concession intangible assets in the future.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The results of operations and financial conditions of our Group and the Expressway JVs have been, and/or will be affected by a number of factors, including those key factors set out below:

Toll Rates

All toll rates for the Expressway JVs are subject to the approval of the relevant provincial-level government authorities in the provinces where the expressways are located. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include toll rates of comparable toll roads and expressways in the same region, prevailing inflation and interest rates, traffic flow and the affordability to users. For more details related to toll rates on the expressways, see *“The Expressway Projects—Revenues—Toll Rates”* and *“Regulatory Overview—Regulations on Toll Collection”*. The Expressway JVs (through the guidance of their investors such as the Group) may propose or apply for rate changes at any time. However, there can be no assurance that toll rate increases will be approved by relevant authorities in a timely manner, or at all. Furthermore, while we do not foresee any reduction in toll rates at the expressways operated by the Expressway JVs in the near future, there is no assurance that the relevant governmental authorities will not require the Expressway JVs to reduce the toll rates despite our opposition or without consulting us. We expect the toll rates will affect the revenue of the Expressway JV, which in turn affect our Group’s cash distributions, result of operations and financial condition.

Traffic Volume and Mix

Toll revenue for the Expressway JVs is principally dependent upon the number of vehicles using such expressways. Traffic volume is directly and indirectly affected by a number of factors, including not limited to (a) toll rate policies; (b) fuel prices; (c) vehicle prices and the cost of owning and operating vehicles; (d) population growth, vehicle ownership growth and growth in the number of people of driving age; (e) the availability, quality and proximity of the expressways compared to alternative roads and other competing modes of transportation; and (f) general development of the provinces, cities and townships served by the expressways. For example, the traffic flow of Tangjin Expressway increased in 2015 in part due to the closure of a nearby competing expressway resulting from an accident that took place in Tianjin in August 2015. As a result, the traffic volume of Baojin Expressway and Tangjin Expressway increased. For more details related to traffic flow on the expressways, see *“The Expressway Projects—Revenues—Historical Traffic Flow and Toll Receipts”*. While, according to WB Group, the overall traffic volume on the expressways is projected to grow further in the foreseeable future, there can be no assurance that the actual traffic volume will be in line with the projected traffic volume or that it will grow at all. To reduce such risks, we carefully evaluate all investment opportunities and undertake detailed due diligence on each expressway project, in which process the impact of existing and potential competing roads and alternative modes of transportation will be taken into account. We also monitor the traffic volume on the expressways closely and may take corrective measures should the rate of growth of their traffic volume be less than what we expected.

In addition, because the expressways generally apply different toll rates based on vehicles’ classifications (for passenger vehicles) and weight (for trucks), the toll receipts for

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the Expressway JVs are also dependent upon the mix of vehicles using the expressways. During the Track Record Period, Baojin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway generally had a higher average daily traffic of passenger vehicles, whereas Tangjin Expressway had a higher average daily traffic of trucks. We attribute the trend of the traffic mix to the growth of (i) the local economy; (ii) the level of business activities; and (iii) the private vehicle ownership in these provinces. We expect future traffic volume and mix will continue to depend on the economic growth and development policies in the PRC generally and in the regions where the expressways are located.

Toll Operation Expenses and Capital Expenditures

We currently focus on expressways that are at least partially completed or currently in operation, which we believe minimises our exposure to uncertainties involved with construction, such as cost overruns or delays in completion of a project, and reduces the ramp-up time before full capacity usage is achieved. Costs related to routine maintenance and minor repairs are generally recognised as expenses of each Expressway JV and funded through the relevant Expressway JVs' regular working capital; costs related to major repairs, however, are generally capitalised and funded through loans from the relevant Expressway JV Partners and/or our Group or bank loans in addition to the Expressway JVs' own funding. For the years ended 31 December 2014, 2015 and 2016, the expenses incurred by the Expressway JVs for routine maintenance and minor repairs represented approximately 3.4%, 5.5% and 4.4% of the aggregate toll revenue (net of business tax or value-added tax) of such Expressway JVs for the same periods, respectively; costs related to major repairs incurred by the Expressway JVs represented approximately 10.5%, 5.8% and 0.9% of the aggregate toll revenue (net of business tax or value-added tax) of such Expressway JVs for the same periods, respectively.

Each of the Expressway JVs operates an annual budgeting process covering anticipated toll operation expenses, repair and maintenance costs and any other capital expenditure for the year in question. During the Track Record Period, there has been no incidence of material budget overruns or material unforeseen capital expenditure requirements. We have always been closely involved in the preparation and subsequent monitoring of the annual operating budget, which is required to be approved by the board of directors of each of the Expressway JVs. The Expressway JVs also focus on preventive maintenance of the expressways, which we believe enables the Expressway JVs to maintain the expressways at a satisfactory level with reduced overall maintenance costs throughout their full lifecycle. We believe it also lessens the need for major repairs and the resulting service suspensions. Going forward, we expect our Group's results of operations and financial condition will continue to be impacted by the Expressway JVs' toll operation expenses and capital expenditure requirements in the future, which will in turn affect the amount of cash distributions to the Group. We may consider diversifying our sources of funding by accessing the debt capital markets through the issuance of unsecured bonds. We have received commitment letters from The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., confirming availability of committed term loans for principal amounts of HK\$750.0 million for working capital purposes and US\$25.0 million drawable within 12 months of Listing for future acquisition, respectively. The availability of each committed loan is conditional upon the Listing taking place and may be drawn down following the signing of relevant contract documentation and is subject to the conditions in the

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respective loan documents to be entered into by the relevant parties. The loans need not be guaranteed by nor secured by any assets of any member of the Remaining RKI Group.

Economic Growth and Change of Economic Conditions in the PRC and the Provinces and Localities where the Expressways are Located

All our Group's revenue has been, and all or substantially all of the Group's revenue in future is expected to be, derived from the PRC. Economic growth and other economic trends and factors in the PRC in general as well as in the provinces and localities where the expressways are located, therefore, have a direct effect on our operations. The GDP growth rates of the PRC have generally slowed down in recent years and remain subject to downward pressure. However, the GDP growth rates of some of the provinces we have operations in have been higher than the overall GDP growth rate of the PRC during the Track Record Period. For instance, the GDP growth rate for the year 2016 of Anhui Province, where Machao Expressway is located, and Hunan Province, where Changyi Expressway is located, were 9.6% and 8.1%, respectively. In addition, during the Track Record Period, a majority of the expressways have generally experienced growth in their traffic flow in part due to the economic development in the relevant geographic regions in the PRC.

PRC Government's Policies

The results of operations and the financial condition of our Group and the Expressway JVs, along with those of other toll road operators in the PRC, are sensitive to changes in the PRC government's macro policies and transportation sector related policies.

On the macro level, we believe that growth in traffic volume is expected to depend on the continued economic growth of the PRC, which is driven in part by the government's development policies. China's Three Initiatives, for instance, echo the goal of enhancing transportation connectivity and economic collaboration within and beyond China. As a result, we expect that some of the expressways we have interests in will benefit from these initiatives. For example, both Baojin Expressway and Tangjin Expressway reach Tianjin and Tianjin Port, a strategically important port that is part of the 21st Century Maritime Silk road, furthering Hebei's vision to become a key passage of trade in support of the "One Belt, One Road" initiative. The two expressways, as an integral part of the transportation network connecting Tianjin and cities in Hebei Province, facilitate closer connections between Tianjin and Hebei, furthering the "Jing-Jin-Ji Integration" policy. Further, the construction of the Beiyangjiang Expressway (which Machao Expressway is a part of) has been recognised by the Anhui Provincial Government as one of its key projects in promoting the development of the Yangtze River Economic Belt. Thus, Machao Expressway helps further the Anhui Provincial Government's strategic plan to develop the Yangtze River Economic Belt, especially with respect to its goal to establish a comprehensive transportation system.

In addition, policies on provincial and municipal transportation networks, traffic regulation, licencing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways and expressways in the PRC could all affect our Group's and the Expressway JVs' results of operations and financial position. For example, while implementation of the governments' toll discount and exemption policies, such as the Holiday Toll-Free Policy for passenger vehicles and the

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Green Passage Toll-Free Policy for trucks transporting fresh agriculture products, have affected the toll receipts of certain Expressway JVs, these policies have not had a significant impact on the overall results of operations of our Group and the Expressway JVs. We will continue our effort to reduce the numbers and/or the application of toll-free policies adopted by government authorities on the Expressway JVs. On the other hand, the Expressway JVs have indirectly benefited from certain transportation policies. For example, the installation of the ETC systems, though generally giving a 5% discount to users, have accelerated the toll collection process and reduced manual toll collection plaza labour costs.

Access to Capital and Financing Costs

The financial performance of our Group and of each of the Expressway JVs is affected by their respective access to capital and financing costs. The Group generally invests in and operates expressways that have already been completed and are operational through Expressway JVs. During the Track Record Period, the Group did not have any bank loans. The Group funded its capital requirements primarily through cash distributions received from the Expressway JVs as well as borrowings from the related parties which were interest free.

Once the expressways are acquired, each of the Expressway JVs is responsible for its maintenance and repair costs throughout the operating concession period. During the Track Record Period, the Expressway JVs primarily used their regular working capital to fund routine maintenance and minor repairs, and costs related to major repairs are generally capitalised and funded through loans from the relevant Expressway JV's partners or bank loans in addition to the Expressway JVs' own funds. Some of the Expressway JVs' loan facilities and our Group's lending to certain Expressway JVs are linked to the benchmark lending rates set by the PBOC. As of 31 December 2014, 2015 and 2016, the Expressway JVs had approximately HK\$6,309.3 million, HK\$6,066.1 million and HK\$5,506.3 million of borrowings outstanding, the majority of which were linked to the benchmark lending rates set by the PBOC. As a result, fluctuations in the benchmark lending rates published by the PBOC have impacted the Expressway JVs' financing costs and our Group's interest income from our Group's lending to certain Expressway JVs.

In addition, the Group and the Expressway JVs may also require additional financings to support their future growth, particularly for investments in new expressway projects as it may take some time before positive cash flows can be generated for newly constructed expressway projects. In addition, the Group's and the Expressway JVs' access to capital and financing costs may also be affected by restrictions imposed by the PRC government to restrain money supply and credit availability from time to time. As such, fluctuations in interest rates and general availability of credit may significantly impact the results of operations and the financial position of our Group and the Expressway JVs.

Exchange Rates

The Group's reported profitability and financial condition are and will be affected by changes in foreign exchange rates due to the translation effect of reporting our Group's combined financial information in Hong Kong dollars. All the revenues of the Expressway JVs are collected in Renminbi, and all the loans and borrowings of the Expressway JVs are also denominated in Renminbi. While fluctuations of the Renminbi against the Hong Kong dollar

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did not materially affect the business operations and financial condition of the Expressway JVs and our Group within the PRC, the Group's reported results of operations in Hong Kong dollars have been affected by the fluctuations in exchange rates during the Track Record Period. In presenting the combined financial statements, we present the assets and liabilities of our Group's entities and the Expressway JVs in Hong Kong dollars at the rate of exchange prevailing at the end of the reporting period, and their income and expenses at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. During the Track Record Period, the Renminbi generally appreciated against the Hong Kong dollar in 2014 but depreciated against the Hong Kong dollar in 2015 and 2016. Correspondingly, our Group recorded an exchange gain of HK\$10.7 million in 2014 and an exchange loss of HK\$183.3 million and HK\$311.2 million in 2015 and 2016 in our other comprehensive income (expense), respectively. Any further appreciation of the Hong Kong dollar against the Renminbi could erode our reported profitability and affect our reported financial condition by creating an exchange loss in its translation into Renminbi, and the translation effect of such fluctuations could obscure the underlying trends of our financial results for a particular period. If our Group acquires expressways or highways in countries other than China in the future, our Group's reported profitability and financial condition will also be subject to fluctuation in the local currencies against the Hong Kong dollar in the future.

RESULTS OF OPERATIONS OF THE GROUP

Description of Line Items of the Group's Selected Statement of Profit or Loss

Share of Results of Joint Ventures

Share of results of joint ventures represents the income from our share of profits of the Expressway JVs using the equity method, less amortisation of cost of our investments in the Expressway JVs.

For the individual statements of profit or loss of each of the Expressway JVs, see "*Supplemental Financial Information—Results of Operations of the Expressway JVs*".

Other Income

Other income primarily represents our (i) interest income from bank deposits and loans made to Expressway JVs; (ii) management fee income as a result of seconding employees of the Group to the Expressway JVs; and (iii) rental income derived from certain office premises of the Group.

Other Gains and Losses

Other gains and losses primarily represent our exchange gains and losses arising from the fluctuations of the Renminbi against the Hong Kong dollar.

Listing Expenses

For the purpose of the combined statements of profit or loss of the Group, listing expenses represent professional and other fees incurred in connection with the Listing and the Global Offering during the Track Record Period.

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Administrative Expenses

Administrative expenses primarily represent (i) total staff costs at the Group level; (ii) share of RKL director's remuneration; (iii) office rent and management fee; (iv) legal and professional fees; (v) travelling, meal and accommodation expenses; and (vi) other miscellaneous fees. During the Track Record Period, staff costs (including share of RKL's directors' emoluments) at the Group level were the Group's most significant administrative expenses, accounting for 78.1%, 81.0% and 73.1%, respectively, of the Group's administrative expenses in 2014, 2015 and 2016.

Profit before Taxation

Profit before taxation represents the sum of other income, other gains and losses and our share of results of joint ventures, less the administrative expenses.

Income Tax Expense

Income tax expense represents the EIT of the Group's PRC subsidiary and deferred tax. Pursuant to the PRC EIT Law and the EIT Rules, the income tax rate of the Group's PRC subsidiary was 25% during the Track Record Period.

During the Track Record Period, the EIT of the Group represented the 5% withholding tax imposed on dividends declared during the year by Expressway JVs, of which the corresponding amount had already been provided for as deferred tax in prior years in respect of undistributed earnings of the Expressway JVs. The effective income tax rate at the Group level was 13.6%, 9.5% and 5.9% for each of the three years ended 31 December 2014, 2015 and 2016, respectively. No provision for Hong Kong profits tax was made during the Track Record Period as there was no assessable profit derived from or arising in Hong Kong.

The Directors confirm that the Group duly paid all taxes during the Track Record Period and up to the Latest Practicable Date and there are no material matters in dispute or unresolved with the relevant tax authorities.

Profit for the Year from Continuing Operations

Profit for the year represents the profit before taxation less income tax expense from our continuing operations, i.e., the Expressway JVs.

Discontinued Operation

On 28 September 2016, as part of the Reorganisation, the Group sold its subsidiaries that were engaged in the highway business in the PRC ("**Disposed Businesses**") to RKL. Upon the disposal of these subsidiaries to RKL, the Group no longer engaged in the highway business. The disposal was effected in order to rationalise the Group structure and focus the Group's principal activity on the development, operation and management of toll expressways in the PRC. As a result, we recorded the results of operations of the Disposed Businesses as a discontinued operation during the Track Record Period. See note 11 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for more details.

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2016 Compared with 2015 (Continuing Operations)

Share of Results of Joint Ventures

Our share of results of joint ventures increased by HK\$144.8 million, or 47.0%, from HK\$307.9 million in 2015 to HK\$452.7 million in 2016. This increase was primarily due to the increased profits resulting from the general increases in the average daily traffic flow for all expressways managed by the Expressway JVs. For more details on the results of operations of individual Expressway JVs, see “*Supplemental Financial Information—Results of Operations of the Expressway JVs*”.

Other Income

Other income decreased by HK\$4.6 million, or 18.0%, from HK\$25.5 million in 2015 to HK\$20.9 million in 2016. This decrease was primarily due to a decrease in our Group’s interest income from loans made to the Expressway JVs mainly as a result of a decrease in the average loan balances from the Group to the Expressway JVs as well as a decrease in the average interest rate associated with these loans as the lending rates were set with reference to the lending rate set by the PBOC, which decreased during 2015 under the government’s easing monetary policies.

Other Gains

Other gains increased by approximately HK\$20,000, or 87.0%, from approximately HK\$23,000 in 2015 to approximately HK\$43,000 in 2016.

Listing Expenses

The listing expenses were HK\$10.0 million in 2016. Our Group did not incur such listing expenses in 2014 or 2015.

Administrative Expenses

The administrative expenses decreased by HK\$5.3 million, or 9.3%, from HK\$56.7 million in 2015 to HK\$51.4 million in 2016. This decrease was primarily due to the decrease in headcount as a result of certain corporate reorganisations.

Profit before Taxation

As a result of the above, our Group’s profit before taxation increased by HK\$135.6 million, or 49.0%, from HK\$276.7 million in 2015 to HK\$412.3 million in 2016.

Income Tax Expense

Our Group’s income tax expense decreased by HK\$1.8 million, or 6.9%, from HK\$26.2 million in 2015 to HK\$24.4 million in 2016. This decrease was primarily due to a one-off payment of additional withholding tax in 2015 as a result of under-provision of PRC withholding tax for one of the Expressway JVs in 2014. As a result, our Group’s effective income tax rate also decreased from 9.5% in 2015 to 5.9% in 2016.

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Profit for the Period from Continuing Operations

As a result of the above, our Group's profit for the period from continuing operations increased by HK\$137.4 million, or 54.9%, from HK\$250.5 million in 2015 to HK\$387.9 million in 2016.

2015 Compared with 2014 (Continuing Operations)

Share of Results of Joint Ventures

Our share of results of joint ventures increased by HK\$65.1 million, or 26.8%, from HK\$242.8 million in 2014 to HK\$307.9 million in 2015. This increase was primarily due to the general increases in the average daily traffic flow for all expressways managed by the Expressway JVs. For more details on the results of operations of individual Expressway JVs, see "Supplemental Financial Information—Results of Operations of the Expressway JVs".

Other Income

Other income decreased by HK\$3.5 million, or 12.1%, from HK\$29.0 million in 2014 to HK\$25.5 million in 2015. This decrease was primarily due to a decrease in our Group's interest income from loans made to the Expressway JVs mainly as a result of a decrease in the average loan balances from the Group to Changyi Expressway JV and Machao Expressway JV as a result of their repayment of loans, as well as a decrease in the average interest rate associated with these loans as the lending rates were set with reference to the lending rate set by the PBOC, which decreased in 2015 under the government's easing monetary policies. This decrease was partially offset by an increase in rental income in 2015 as we sublet certain of the Group's office premise that year and an increase in our management fee income in 2015 as we seconded our employees to the then newly acquired Machao Expressway JV in 2015.

Other Gains

Other gains decreased by HK\$732,000, or 97.0%, from HK\$755,000 in 2014 to HK\$23,000 in 2015. This decrease was primarily due to exchange differences arising out of the depreciation of the Renminbi against the Hong Kong dollar in 2015.

Administrative Expenses

The administrative expenses decreased by HK\$1.6 million, or 2.7%, from HK\$58.3 million in 2014 to HK\$56.7 million in 2015. This decrease was primarily due to a decrease in our legal and professional fees in 2015 as we incurred one-off legal and professional fees related to the acquisition of our interest in the Machao Expressway JV in 2014, offset by an increase in the office rent and management fee in 2015 as our Shenzhen office was relocated to another office premise with increased rent.

Profit before Taxation

As a result of the above, our Group's profit before taxation increased by HK\$62.5 million, or 29.2%, from HK\$214.2 million in 2014 to HK\$276.7 million in 2015.

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Income Tax Expense

Our Group's income tax expense decreased by HK\$2.9 million, or 10.0%, from HK\$29.1 million in 2014 to HK\$26.2 million in 2015. This decrease was primarily due to the under-provision of PRC withholding tax for one of the Expressway JVs in 2014 in respect of certain income derived in the PRC and received in prior years. As a result, our Group's effective income tax rate decreased from 13.6% in 2014 to 9.5% in 2015.

Profit for the Period from Continuing Operations

As a result of the above, our Group's profit for the period from continuing operations increased by HK\$65.4 million, or 35.3%, from HK\$185.1 million in 2014 to HK\$250.5 million in 2015.

SELECTED ITEMS OF COMBINED STATEMENT OF FINANCIAL POSITION OF THE GROUP

Interests in Joint Ventures

The Group's interests in its joint ventures consist of the sum of (i) cost of investment, i.e., the total amount invested by the Group in the Expressway JVs (including the equity investment and (if applicable) the shareholder loans made to the Expressway JVs) when each JV is formed. If there is additional investment made to the Expressway JV after its formation and our acquisition of interests in it, the cost of investment will increase according to the Group's contribution; (ii) the Group's share of post-acquisition profits and other comprehensive income, net of dividends received by the Group, based on the profit/cash sharing ratio in the relevant Expressway JV; and minus (iii) return of the cost of investment, which represents the cash distributions received from the Expressway JVs (other than dividends or repayment of shareholder loans received by the Group).

The Group's interests in its joint ventures, including both the joint ventures engaged in expressway businesses (the Expressway JVs) and joint ventures engaged in the Disposed Businesses, as of 31 December 2014 and 2015 were HK\$4,004.7 million and HK\$3,628.7 million. The Group's interests (in the Expressway JVs only) were HK\$3,224.2 million as of 31 December 2016 (by which time the disposal of the Disposed Businesses had been completed).

The following table sets out our Group's interest in the Expressway JVs as of the dates indicated:

	As of 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Costs of investments	3,708,093	3,705,088	3,867,942
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,143,198	1,276,979	1,306,848
Return of cost of investments	(2,047,791)	(2,286,279)	(2,364,298)
Exchange Adjustments	807,002	656,698	413,698
	<u>3,610,502</u>	<u>3,352,486</u>	<u>3,224,190</u>

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Note:

Our Group's interests in the Expressway JVs as of 31 December 2014 and 2015 set out above are net of our interests in joint ventures attributable to Disposed Businesses, whereas as of 31 December 2016, the disposal of the Disposed Businesses had been completed. Interests in joint ventures attributable to the Disposed Businesses amounted to HK\$394.2 million and HK\$276.2 million as of 31 December 2014 and 2015, respectively.

Our Group's interests in the Expressway JVs decreased by HK\$128.3 million, or 3.8%, from HK\$3,352.5 million as of 31 December 2015 to HK\$3,224.2 million as of 31 December 2016, primarily due to an increase in the return of cost of investments and a decrease in the exchange adjustments in 2016, offset by increases in the cost of investments and the Group's share of post-acquisition profits in 2016.

- The cost of investment increased by HK\$162.8 million, or 4.4%, from HK\$3,705.1 million as of 31 December 2015 to HK\$3,867.9 million as of 31 December 2016. This increase was primarily due to an additional investment cost in the Machao Expressway JV.
- The share of post-acquisition profits increased by HK\$29.8 million, or 2.3%, from HK\$1,277.0 million as of 31 December 2015 to HK\$1,306.8 million as of 31 December 2016. This increase was primarily due to better financial results of certain Expressway JVs.
- The return of cost of investments increased by HK\$78 million, or 3.4%, from HK\$2,286.3 million as of 31 December 2015 to HK\$2,364.3 million as of 31 December 2016. This increase was primarily due to the increased cash distribution received from the Expressway JVs primarily resulting from the general increase in profits of the Expressway JVs, offset by the dividend declared by the Expressway JVs.
- The exchange adjustments decreased by HK\$243.0 million, or 37.0%, from HK\$656.7 million as of 31 December 2015 to HK\$413.7 million as of 31 December 2016. This decrease was due to exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016.

Our Group's interests in the Expressway JVs decreased by HK\$258.0 million, or 7.1%, from HK\$3,610.5 million as of 31 December 2014 to HK\$3,352.5 million as of 31 December 2015 primarily due to a decrease in the exchange adjustments and an increase in the return of cost of investments in 2015, offset by an increase in the Group's share of post-acquisition profits.

- The cost of investment remained relatively stable at HK\$3,705.1 million as of 31 December 2015 as compared to HK\$3,708.1 million as of 31 December 2014.
- The share of post-acquisition profits increased by HK\$133.8 million, or 11.7%, from HK\$1,143.2 million as of 31 December 2014 to HK\$1,277.0 million as of 31 December 2015. This increase was primarily due to the Group's share of profit from the Expressway JVs after taxation in 2015 resulting primarily from the general increases in the average daily traffic flow for all expressways managed by the Expressway JVs.
- The return of cost of investments increased by HK\$238.5 million, or 11.6%, from HK\$2,047.8 million as of 31 December 2014 to HK\$2,286.3 million as of 31 December 2015. This increase was primarily due to the cash distributions received from the Expressway JVs primarily resulting from the general increase in

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profits of the Expressway JVs, offset by the dividend declared by the Expressway JVs.

- The exchange adjustments decreased by HK\$150.3 million, or 18.6%, from HK\$807.0 million as of 31 December 2014 to HK\$656.7 million as of 31 December 2015. This decrease was due to exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015.

Other Receivables and Prepayments

Other receivables and prepayments of the Group were HK\$186.9 million, HK\$181.3 million and HK\$3.0 million as of 31 December 2014, 2015 and 2016, respectively. This item primarily consists of the receivables related to our Group's disposal of certain highways during the year ended 31 December 2013. These receivables were fully settled in March 2016 by netting off against the outstanding costs for acquisition of our 49% equity interest in the Machao Expressway JV. As of 30 April 2017, HK\$1.7 million of the Group's other receivables and prepayments as of 31 December 2016 had been settled. See note 18 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for more details.

Other Payables and Accruals

Other payables and accruals primarily consist of salary and bonus payables primarily related to the performance bonuses or the contractual payments of a double salary for the month of December, other tax payables, legal fee provisions and other receipt payables. Other payables and accruals of the Group were HK\$4.4 million, HK\$4.8 million and HK\$12.8 million as of 31 December 2014, 2015 and 2016, respectively, with salary and bonus payables as the largest component and accounting for 66.9%, 58.4% of the line item as of 31 December 2014 and 2015, respectively. The increase from 2015 to 2016 was primarily due to the accrual of professional fees in connection with the Reorganisation, which accounted for 77.9% of the line item. As of 30 April 2017, HK\$2.8 million of the Group's other payables and accruals as of 31 December 2016 had been settled.

RESULTS OF OPERATIONS OF OUR PROPORTIONATE SHARE OF THE EXPRESSWAY JVS ON AN AGGREGATE BASIS

The selected financial information for the years ended 31 December 2014, 2015 and 2016 below represents the Group's share of Expressway JVs' results from the operation of expressways in the PRC based on the profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods. The proportionate financial information of the Expressway JVs is set forth in note 6 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

The "total" columns below represent the aggregate of our proportionate share of the individual Expressway JVs for the period indicated. These are some of the measures reported to our chief operating decision maker for the purposes of resource allocation and performance assessment. Similarly, we believe that this presentation provides a useful method of presenting our proportionate share of the individual Expressway JVs and their overall impact on the Group that will help investors to make an informed assessment of the overall financial information of our proportionate share of the Expressway JVs.

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Our proportionate share of the Expressway JVs' results (including the EBITDA) are non-HKFRS measures that should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures. In addition, because these measures may not be calculated in the same manner by all companies, the Expressway JVs' non-HKFRS measures may not be comparable to the same or similarly titled measures presented by other companies.

For more details related to the selected financial information extracted from each Expressway JV's summarised financial information for the years ended 31 December 2014, 2015 and 2016 prepared in accordance with HKFRSs, as set forth in note 16 to the Accountants' Report on Historical Financial Information, set out in Appendix I to this prospectus, see "Supplemental Financial Information—Results of Operations of the Expressway JVs".

Selected Financial Information on Our Proportionate Share of the Expressway JVs (Calculated Based on Summarised Financial Information of Material Joint Ventures and Profit/Cash Sharing Ratios Specified in the Relevant Expressway JV Contracts for the Relevant Periods)^{3,4}

	For the year ended 31 December 2014					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%	30%	50%	45%	49%	
Segment revenue (toll revenue)	282,483	179,524	326,426	93,324	43,958	925,715
Construction revenue	21,101	55,279	—	108,737	100,470	285,587
Construction costs	(21,101)	(55,279)	—	(108,737)	(100,470)	(285,587)
Other income	2,104	150	2,210	2,811	619	7,894
Toll operation expenses . . .	(42,561)	(21,189)	(42,930)	(13,380)	(1,910)	(121,970)
Administrative expenses . . .	(12,650)	(9,808)	(13,201)	(6,170)	(1,784)	(43,613)
EBITDA	229,376	148,677	272,505	76,585	40,883	768,026
Depreciation and amortisation charges	(49,929)	(53,147)	(91,261)	(20,412)	(8,876)	(223,625)
Finance costs	—	—	(20,038)	(107,682)	(43,856)	(171,576)
Income tax expenses	(44,421)	(29,553)	(42,035)	(14,039)	—	(130,048)
Segment results (share of results of joint ventures)	<u>135,026</u>	<u>65,977</u>	<u>119,171</u>	<u>(65,548)</u>	<u>(11,849)</u>	<u>242,777</u>

³ Construction revenue generated from construction and upgrading services rendered by the Expressway JVs is recognised under the percentage of completion method. The percentage of completion is measured on the basis of contract costs incurred up to the end of each reporting period as a percentage of total estimated costs to be incurred for each service. Such accounting treatment is in compliance with the Hong Kong (IFRIC) Interpretation 12. The fair value of the construction revenue recognised by the Expressway JVs is approximate to the construction costs incurred based on the percentage of completion method and no profit or loss is contributed by the construction income during the relevant periods in this regard. As a result, the construction revenue is equal to the construction costs during the relevant period, and thus has no net effect on our operating profit or profit for the relevant period. Construction revenue and costs are not financial information of Expressways JV which are regularly reviewed by the chief operating decision maker of the Group and therefore they are excluded from the Segment Information as disclosed in note 6 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. See "Supplemental Financial Information—Description of Selected Items of Summarised Financial Information of the Expressway JVs—Construction Revenue" for more details.

⁴ The amortisation of intangible assets (excluding the subsequent capitalisation of major maintenance and repair costs), net of tax effect, is shared by the Group in accordance with the equity contribution ratio of the Group. In addition, the amortisation of the subsequent capitalisation of major maintenance and repair costs shared by the Group in accordance with profit/cash sharing ratio of the Group.

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For the year ended 31 December 2015						
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%	30%	50%	45%	49%	
Segment revenue (toll revenue)	308,900	200,524	354,805	108,911	91,581	1,064,721
Construction revenue	18,963	29,512	—	22,434	14,754	85,663
Construction costs	(18,963)	(29,512)	—	(22,434)	(14,754)	(85,663)
Other income	2,388	1,294	2,170	1,600	2,241	9,693
Toll operation expenses	(52,672)	(26,050)	(49,531)	(21,863)	(4,974)	(155,090)
Administrative expenses	(11,011)	(9,596)	(15,611)	(4,783)	(4,085)	(45,086)
EBITDA	247,605	166,172	291,833	83,865	84,763	874,238
Depreciation and amortisation charges	(56,089)	(61,688)	(97,959)	(20,591)	(16,988)	(253,315)
Finance costs	—	—	(13,804)	(98,260)	(63,122)	(175,186)
Income tax expenses	(48,637)	(30,909)	(44,805)	(13,465)	—	(137,816)
Segment results (share of results of joint ventures)	<u>142,879</u>	<u>73,575</u>	<u>135,265</u>	<u>(48,451)</u>	<u>4,653</u>	<u>307,921</u>

For the year ended 31 December 2016						
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000 30% (during January) 45% (February onward)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/Cash Sharing Ratio during the Period	40%		50%	45%	49%	
Segment revenue (toll revenue)	317,908	267,484	374,888	142,484	107,914	1,210,678
Construction revenue	7,147	—	—	12,883	6,411	26,441
Construction costs	(7,147)	—	—	(12,883)	(6,411)	(26,441)
Other income	2,506	1,118	1,682	569	649	6,524
Toll operation expenses	(41,730)	(34,389)	(44,381)	(23,704)	(8,952)	(153,156)
Administrative expenses	(10,817)	(14,010)	(14,996)	(5,270)	(4,582)	(49,675)
EBITDA	267,867	220,203	317,193	114,079	95,029	1,014,371
Depreciation and amortisation charges	(56,724)	(80,895)	(91,250)	(26,903)	(26,930)	(282,702)
Finance costs	—	—	(8,735)	(74,792)	(51,385)	(134,912)
Income tax expenses	(51,135)	(35,855)	(54,488)	(2,596)	—	(144,074)
Segment results (share of results of joint ventures)	<u>160,008</u>	<u>103,453</u>	<u>162,720</u>	<u>9,788</u>	<u>16,714</u>	<u>452,683</u>

The segment results represent the Group's share of the Expressway JVs' results based on the profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods. During the Track Record Period, the profit/cash sharing ratio in Tangjin Expressway JV changed from 30% to 45% from February 2016 onwards, in accordance with the relevant provision in the Expressway JV Contract. The profit/cash sharing ratios for Baojin

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Expressway JV, Changyi Expressway JV, Longcheng Expressway JV and Machao Expressway JV remained the same at 40%, 50%, 45% and 49%, respectively, throughout the Track Record Period. See “*The Expressway Projects—Cash Distributions*” for more details.

Description of Selected Items of Selected Financial Information on Our Proportionate Share of the Expressway JVs

The line items of our proportionate share of the Expressway JVs, except “Segment results (share of results of joint ventures)”, are substantially identical to the similarly-named line items of the Expressway JVs, which are set forth below.

Toll Revenue

The toll revenue of the Expressway JVs represents toll revenue received and receivable (net of business tax or value-added tax) from the operations of the expressways in the PRC.

Other Income

Other income of the Expressway JVs primarily represents the interest income related to the deposit of the toll receipts with banks and the income generated from the ancillary road facilities (including service stations, gas stations and billboards).

Toll Operation Expenses

Toll operation expenses of the Expressway JVs primarily represent staff costs related to the Expressway JVs’ toll operational staff, the maintenance costs of the expressways and other miscellaneous fees.

Administrative Expenses

Administrative expenses of the Expressway JVs primarily represent administrative staff costs and other daily office and administrative expenses, including but not limited to rents, travelling expenses, utilities charges and taxes.

Depreciation and Amortisation Charges

Depreciation and amortisation charges of the Expressway JVs primarily represent the depreciation and amortisation of the expressway operation rights. The Group calculates amortisation of the expressway operation rights based on the ratio of the actual traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective expressways under the Group’s accounting policy. However, some of the Expressway JVs calculate amortisation of their respective expressway operation rights based on a straight line method. See “—*Significant Accounting Policies, Judgments and Estimates—Amortisation of Concession Intangible Assets*” for more details.

Finance Costs

Finance costs of the Expressway JVs primarily represent the costs related to the bank borrowings and shareholder loans.

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Income Tax Expenses

Income Tax Expenses of the Expressway JVs primarily represent EIT. During the Track Record Period, the Expressway JVs are subject to EIT at the rate of 25% on their respective assessable profits as determined in accordance with the PRC EIT Law.

Longcheng Expressway JV and Machao Expressway JV each has three years of 100% corporate income tax waiver, starting from their first respective year of generating operating income, followed by three years of 50% corporate income tax waiver.

The following discussions of the trends of selected line items are based on our Group's proportionate share of the Expressway JVs' results based on the profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods. For key trends associated with individual Expressway JVs, see "*Supplemental Financial Information—Results of Operation of the Expressway JVs*".

2016 Compared with 2015

Segment revenue (toll revenue)

The Group's aggregate proportionate toll revenue from the Expressway JVs increased by HK\$146.0 million, or 13.7%, from HK\$1,064.7 million in 2015 to HK\$1,210.7 million in 2016, primarily due to the increased average daily traffic flow on Baojin, Changyi, Longcheng and Machao Expressways. For key trends associated with individual Expressway JVs, see "*Supplemental Financial Information—Results of Operations of the Expressway JVs*".

Other Income

The Group's aggregate proportionate other income from the Expressway JVs decreased by HK\$3.2 million, or 33.0%, from HK\$9.7 million in 2015 to HK\$6.5 million in 2016. This decrease was primarily due to the change in the lease arrangement of the petrol station at the service plaza on Machao Expressway, resulting in a decrease in lease income.

Toll Operation Expenses

The Group's aggregate proportionate toll operation expenses from the Expressway JVs remained relatively stable at HK\$153.2 million in 2016 as compared to HK\$155.1 million in 2015.

Administrative Expenses

The Group's aggregate proportionate administrative expenses from the Expressway JVs increased by HK\$4.6 million, or 10.2%, from HK\$45.1 million in 2015 to HK\$49.7 million in 2016. This increase was primarily due to the change in our Group's profit/cash sharing ratio in Tangjin Expressway JV from 30% to 45% from February 2016 onwards, in accordance with the relevant provision in the relevant Expressway JV Contract.

Depreciation and Amortisation Charges

The Group's aggregate proportionate depreciation and amortisation charges from the Expressway JVs increased by HK\$29.4 million, or 11.6%, from HK\$253.3 million in 2015 to

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HK\$282.7 million in 2016. This increase was primarily due to the change in our Group's profit/cash sharing ratio in Tangjin Expressway JV from 30% to 45% from February 2016 onwards, in accordance with the relevant provision in the relevant Expressway JV Contract.

Finance Costs

The Group's aggregate proportionate finance costs from the Expressway JVs decreased by HK\$40.3 million, or 23.0%, from HK\$175.2 million in 2015 to HK\$134.9 million in 2016. This decrease was primarily due to exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016 and the decreases in the finance costs of Changyi and Longcheng Expressway JVs as a result of the decrease in the benchmark lending rates set by the PBOC and the decrease in the outstanding loan balances due to their repayments of loans. Neither Baojin Expressway JV nor Tangjin Expressway JV incurred any finance costs in 2015 or 2016.

Income Tax Expenses

The Group's aggregate proportionate income tax expenses from the Expressway JVs increased by HK\$6.3 million, or 4.6%, from HK\$137.8 million in 2015 to HK\$144.1 million in 2016. This increase was primarily due to the increase in toll revenues of certain Expressway JVs and the change in our Group's profit/cash sharing ratio in Tangjin Expressway JV from 30% to 45% from February 2016 onwards, in accordance with the relevant provision in the relevant Expressway JV Contract.

Segment Results (Share of Results of Joint Ventures)

As a result of the foregoing, the Group's aggregate share of results of joint ventures increased by HK\$144.8 million, or 47.0%, from HK\$307.9 million in 2015 to HK\$452.7 million in 2016.

2015 Compared with 2014

As the Group only completed the acquisition of its interest in the Machao Expressway JV in June 2014, Machao Expressway JV's operational results for 2014 only represented the operational results of seven months as compared to that of a full year in 2015. As a result, the results of operations of Machao Expressway for the year 2014 may not be comparable to that of 2015.

Segment revenue (toll revenue)

The Group's aggregate proportionate toll revenue from the Expressway JVs increased by HK\$139.0 million, or 15.0%, from HK\$925.7 million in 2014 to HK\$1,064.7 million in 2015. This increase was due to the general increases in the average daily traffic flow for all expressways managed by the Expressway JVs. For key trends associated with individual Expressway JVs, see "Supplemental Financial Information—Results of Operations of the Expressway JVs".

Other Income

The Group's aggregate proportionate other income from the Expressway JVs increased by HK\$1.8 million, or 22.8%, from HK\$7.9 million in 2014 to HK\$9.7 million in 2015.

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This increase was primarily due to the increase in Tangjin Expressway JV's tax rebate and interest income, and Machao Expressway JV's longer operation period in 2015, offset by the decrease in Longcheng Expressway JV's income from advertising services.

Toll Operation Expenses

The Group's aggregate proportionate toll operation expenses from the Expressway JVs increased by HK\$33.1 million, or 27.2%, from HK\$122.0 million in 2014 to HK\$155.1 million in 2015. This increase was primarily due to the general increases in the toll operation expenses of all of the Expressway JVs, which resulted from the repair and maintenance work on the expressways and the preparation costs for the government authorities' inspections for Changyi Expressway and Longcheng Expressway.

Administrative Expenses

The Group's aggregate proportionate administrative expenses from the Expressway JVs increased by HK\$1.5 million, or 3.4%, from HK\$43.6 million in 2014 to HK\$45.1 million in 2015. This increase was primarily due to (i) the increase in Changyi Expressway JV's administrative expenses resulting primarily from the increases in employees' average general wages and the payment of land use tax; and (ii) Machao Expressway JV's longer operation period in 2015.

Depreciation and Amortisation Charges

The Group's aggregate proportionate depreciation and amortisation charges from the Expressway JVs increased by HK\$29.7 million, or 13.3%, from HK\$223.6 million in 2014 to HK\$253.3 million in 2015. This increase was primarily due to increases in the depreciation and amortisation of the operation rights of Baojin, Tangjin, Changyi and Machao Expressway JVs as a result of the increased average daily traffic flow. The depreciation and amortisation of Longcheng Expressway JV remained relatively stable in 2015 compared to that in 2014.

Finance Costs

The Group's aggregate proportionate finance costs from the Expressway JVs increased by HK\$3.6 million, or 2.1%, from HK\$171.6 million in 2014 to HK\$175.2 million in 2015. This increase was primarily due to the increase in the finance costs of Machao Expressway JV as a result of the longer operation period in 2015, offset by decreases in the finance costs of Changyi and Longcheng Expressway JVs as a result of the decrease in the benchmark lending rates set by the PBOC and the decrease in the outstanding loan balances due to their repayments of loans. Neither Baojin Expressway JV nor Tangjin Expressway JV incurred any finance costs in 2014 or 2015.

Income Tax Expenses

The Group's aggregate proportionate income tax expenses from the Expressway JVs increased by HK\$7.8 million, or 6.0%, from HK\$130.0 million in 2014 to HK\$137.8 million in 2015. This increase was primarily due to an increase in the income tax expenses of Baojin Expressway JV, Tangjin Expressway JV and Changyi Expressway JV primarily in line with the increases in their respective toll revenues.

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Segment Results (Share of Results of Joint Ventures)

As a result of the foregoing, the Group's aggregate proportionate share of results of joint ventures increased by HK\$65.1 million, or 26.8%, from HK\$242.8 million in 2014 to HK\$307.9 million in 2015.

HISTORICAL NON-HKFRS FINANCIAL RATIOS

This section presents and discusses certain historical financial ratios for the years ended 31 December 2014, 2015 and 2016. Our finance and accounting division monitors these non-HKFRS financial ratios and reports them to the management to provide them with additional information about the Group and the Expressway JVs' operating and financial performance.

We have included these non-HKFRS financial ratios in this prospectus because we believe such disclosure provides useful supplemental information to help investors better understand underlying trends in our business. We consider these non-HKFRS financial ratios to be important financial measures that are used in ours and the Expressway JVs' internal financial and management reporting to monitor business performance.

These financial ratios are not standard measures under HKFRSs. While they provide additional financial measures for investors to assess our Group and the Expressway JVs' operating performance, the use of these financial ratios has certain limitations because they do not reflect all items of income and expense or assets and liabilities that affect their operations. The items that are adjusted for may continue to be incurred in its business and should be considered in the overall understanding and assessment of their results. Items excluded from these financial ratios are significant components in understanding and assessing our Group and the Expressway JVs' operating and financial performance. These financial ratios should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures, such as profit of our Group and the Expressway JVs and their total comprehensive income. In addition, because these financial ratios may not be calculated in the same manner by all companies, they may not be comparable to the same or similarly titled measures presented by other companies.

Key Financial Ratios

The following tables set out certain key financial ratios of our Group and the Expressway JVs in 2014, 2015 and 2016. For key trends associated with individual Expressway JVs, please see "*Supplemental Financial Information—Results of Operations of the Expressway JVs*" for the underlying reasons.

EBITDA / EBITDA margin

	2014	2015	2016
Baojin Expressway JV EBITDA Margin ⁽¹⁾	81.2%	80.2%	84.3%
Tangjin Expressway JV EBITDA Margin ⁽¹⁾	82.8%	82.9%	82.1%
Changyi Expressway JV EBITDA Margin ⁽¹⁾	83.5%	82.3%	84.6%
Longcheng Expressway JV EBITDA Margin ⁽¹⁾	82.1%	77.0%	80.1%
Machao Expressway JV EBITDA Margin ⁽¹⁾	93.0%	92.6%	88.1%
Group's aggregate proportionate EBITDA from the Expressway JVs (HK\$'000)	768,026	874,238	1,014,371
Group's aggregate proportionate EBITDA margin ⁽²⁾	83.0%	82.1%	83.8%

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Notes:

- (1) Expressway JV's EBITDA margin = Expressway JV's EBITDA / Expressway JV's toll revenue (net of business tax or value-added tax).
- (2) Group's aggregate proportionate EBITDA margin = Group's aggregate proportionate EBITDA from the Expressway JVs for the year / Group's aggregate proportionate toll revenue of the Expressway JVs for that year * 100%.

EBITDA is not a standard measure under HKFRSs. While EBITDA provides an additional financial measure for investors to assess the Expressway JVs' operating performance, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect their operations. The items that are adjusted for may continue to be incurred in their business and should be considered in the overall understanding and assessment of their results. Items excluded from EBITDA are significant components in understanding and assessing the Expressway JVs' operating and financial performance.

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures, such as profit of the joint venture and its total comprehensive income. In addition, because EBITDA may not be calculated in the same manner by all companies, the Expressway JVs' EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

Return on net assets

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Baojin Expressway JV ⁽¹⁾	13.5%	15.1%	19.2%
Tangjin Expressway JV ⁽¹⁾	15.1%	18.1%	16.7%
Changyi Expressway JV ⁽¹⁾	19.6%	25.0%	34.1%
Longcheng Expressway JV ⁽¹⁾	-8.9%	-7.4%	1.6%
Machao Expressway JV ⁽¹⁾	-2.2%	0.9%	3.6%
Group ⁽²⁾	4.4%	6.2%	8.6%
Group's aggregate proportionate return on net assets ⁽³⁾	6.8%	9.2%	15.1%

Notes:

- (1) Individual Expressway JV's return on net assets = Profit (loss) and total comprehensive income (expenses) for the year of the Expressway JV / Net assets of the Expressway JV at the end of that year * 100%
- (2) Group's return on net assets = Group's profit for the year from continuing operations / Group's net assets at the end of that year of continuing operations * 100%.
- (3) Group's aggregate proportionate return on net assets = Group's share of results of joint ventures for the year / Group's aggregate proportionate net assets of the Expressway JVs at the end of that year * 100%

Total debt to total assets

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Baojin Expressway JV ⁽¹⁾	0.0%	0.0%	0.0%
Tangjin Expressway JV ⁽¹⁾	0.0%	0.0%	0.0%
Changyi Expressway JV ⁽¹⁾	26.3%	23.5%	19.4%
Longcheng Expressway JV ⁽¹⁾	65.2%	67.1%	66.5%
Machao Expressway JV ⁽¹⁾	60.9%	64.1%	63.2%
Group ⁽²⁾	1.0%	0.0%	0.0%
Group's aggregate proportionate total debt to total assets ⁽³⁾	41.2%	42.2%	42.3%

Notes:

- (1) Individual Expressway JV's total debt to total assets = Total debt of the Expressway JV at the end of the year / Total assets of the Expressway JV at the end of that year * 100%. Total debt includes bank borrowings and loans from joint venture partner(s).
- (2) Group's total debt to total assets = total debt of the Group of continuing operations at the end of the year / total assets of the Group of continuing operations at the end of that year * 100%. Total debt includes bank borrowings and amount due to a joint venture.
- (3) Group's aggregate proportionate total debt to total assets = Group's aggregate proportionate total debt of the Expressway JVs at the end of the year / Group's aggregate proportionate total assets of the Expressway JVs at the end of that year * 100%. Total debt includes bank borrowings and loans from joint venture partner(s).

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Profitability Ratios

EBITDA / EBITDA margin

The Group's aggregate proportionate EBITDA from the Expressway JVs increased by HK\$106.2 million, or 13.8%, from HK\$768.0 million in 2014 to HK\$874.2 million in 2015, and further increased by HK\$140.2 million, or 16.0%, from HK\$874.2 million in 2015 to HK\$1,014.4 million in 2016, primarily due to the increase in profits resulting from the general increases in the average daily traffic flow for all expressways managed by the Expressway JVs.

The Group's aggregate proportionate EBITDA margin remained relatively stable at 83.0% in 2014, 82.1% in 2015 and 83.8% in 2016.

Return on net assets

The Group's aggregate proportionate return on net assets increased from 6.8% in 2014, to 9.2% in 2015 and to 15.1% in 2016, primarily due to the increase in profit of Longcheng Expressway JV, Machao Expressway JV and Changyi Expressway JV. For key trends associated with individual Expressway JVs, see "Supplemental Financial Information—Results of Operations of the Expressway JVs".

Leverage Ratios

Total debt to total assets

The Group's aggregate proportionate total debt to total assets ratio remained relatively stable at 41.2% in 2014, 42.2% in 2015 and 42.3% in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Since the principal business of the Group is to invest in expressway joint ventures, the Group's primary source of cash is the cash distributions received from the expressway joint ventures, which is categorised as cash generated from investing activities. The principal use of cash at the Group level comprises investments in or acquisitions of equity interests in expressway projects, the payment of dividends and the payment of administrative expenses related to the Group.

For the Expressway JVs, their principal sources of liquidity to date have been toll revenue collected at toll plazas and the entitlements to toll revenue from vehicles passing along the expressways. Certain Expressway JVs also incurred bank borrowings and loans from Expressway JV Partners and/or us. The principal use of cash comprises operating expenses of the expressways, including toll operation expenses and administrative expenses. During the Track Record Period and up to the Latest Practicable Date, the Group and the Expressway JVs did not experience any liquidity shortage.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the balance of the debt and equity structure. The capital structure of the Group consists of equity attributable to owners of the Company, comprising capital and reserves. The Group's management reviews the capital structure regularly and considers the cost of capital and the risks associated with each class of capital, and will balance its overall structure through issuances of new shares or debt or the redemption of existing debt.

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The Expressway JVs manage their capital to ensure that they will be able to continue as a going concern, while minimising the costs of capital and maximising the return to shareholders through optimisation of the balance of the debt and equity structure. The capital structure of the Expressway JVs comprises capital, reserves, banks loans and shareholders' loans, as applicable. The management of the Expressway JVs reviews and manages the capital structure regularly.

Going forward, the Group expects to fund its foreseeable working capital, capital expenditures and other capital requirements with a combination of various sources, including cash distributions from the Expressway JVs, bank borrowings, funding raised from capital market activities and the net proceeds from the Global Offering.

Working Capital Sufficiency

After taking into account the Group's expected cash distributions from the Expressway JVs and the estimated net proceeds from the Global Offering, the Directors and the Company believe that our Group has sufficient working capital for its present requirements and for the 12 months from the date of this prospectus.

The Directors confirm that the Group did not have any material default in payment of payables, bank borrowings and other debt financing obligations and/or breaches of finance covenants during the Track Record Period.

Cash Flows of the Group

The following table sets out selected cash flow data of the Group for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash used in operating activities	(75,952)	(94,988)	(61,820)
Net cash generated from investing activities	93,196	482,250	615,516
Net cash used in financing activities	(76,642)	(326,039)	(347,662)
Net Increase / (decrease) in cash and cash equivalents	(59,398)	61,223	206,034
Cash and cash equivalents at beginning of year	160,806	101,439	156,986
Effect of foreign exchange rate changes	31	(5,676)	(19,992)
Cash and cash equivalents at the end of year, represented by bank balances and cash	<u>101,439</u>	<u>156,986</u>	<u>343,028</u>

Net Cash Used in Operating Activities

Due to the nature of the business, the Group does not have significant cash inflow from its operating activities. The Group's primary source of cash inflow was cash distributions received from the Expressway JVs. Such cash distributions are recorded as cash distributions received from joint ventures, which were classified under the investing activities of the combined statements of cash flows pursuant to the relevant accounting rules.

In 2016, net cash used in operating activities in 2016 was HK\$61.8 million. This was primarily the result of cash used in operations of HK\$44.3 million and income tax paid of

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HK\$17.5 million. Cash used in operations primarily comprised profit for the year of HK\$356.6 million, adjusted by the Group's share of results of joint ventures of HK\$426.9 million.

In 2015, net cash used in operating activities in 2015 was HK\$95.0 million. This was primarily the result of cash used in operations of HK\$52.7 million and income tax paid of HK\$42.2 million. Cash used in operations primarily comprised profit for the year of HK\$211.7 million, adjusted by the Group's share of results of joint ventures of HK\$274.5 million.

In 2014, net cash used in operating activities in 2014 was HK\$76.0 million. This was primarily the result of cash used in operations of HK\$55.3 million and income tax paid of HK\$20.6 million. Cash used in operations primarily comprised profit for the year of HK\$119.0 million, adjusted by the Group's share of results of joint ventures of HK\$184.5 million.

Net Cash Generated from Investing Activities

Cash generated from investing activities primarily reflects the cash distributions received from the Expressway JVs, as well as the repayment from fellow subsidiaries and the ultimate holding company to the Group. Cash used in investing activities primarily reflects the advances from the Group to fellow subsidiaries for the years ended 2014 to 2016, as well as acquisition of a joint venture and capital contribution to joint ventures for the year ended 2014. The Group received cash distributions from the joint ventures. If and when the Group had surplus bank balances and cash, the Group made cash advances to its fellow subsidiaries and ultimate holding company according to their financing needs, and subsequently obtained repayment therefrom on a regular basis. Such cash advances to its fellow subsidiaries and ultimate holding company (being cash outflow at the initiating step) and the corresponding subsequent repayment from them are presented as the cash flows from investing activities of the Group in the combined statements of cash flows, which is consistent with the relevant accounting rules.

In 2016, net cash generated from investing activities was HK\$615.5 million. This was mainly attributable to HK\$520.4 million in cash distributions received from joint ventures, HK\$46.3 million in loan settlements from joint ventures and HK\$38.5 million in net repayments from the Group's fellow subsidiaries.

In 2015, net cash generated from investing activities was HK\$482.2 million. This was mainly attributable to HK\$468.8 million in cash distributions received from the joint ventures and HK\$55.6 million in loan repayment from joint ventures, offset by HK\$89.5 million in net advances made to the Group's fellow subsidiaries.

In 2014, net cash generated from investing activities was HK\$93.2 million. This was mainly attributable to HK\$463.3 million in cash distributions received from the joint ventures, HK\$443.0 million in repayment from ultimate holding company and HK\$190 million in refund of a bidding tender deposit, offset by (i) HK\$397.7 million in net advances made to the Group's fellow subsidiaries, (ii) HK\$343.0 million in the acquisition of a joint venture; and (iii) HK\$378.8 million in capital contribution to joint ventures.

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Net Cash Used in Financing Activities

Cash used in financing activities primarily reflects dividends paid and repayment to the ultimate holding company. Cash generated from financing activities primarily reflects advances from the ultimate holding company. The Group obtained funding from its ultimate holding company to pay for various expenses and repaid the funding subsequently to its ultimate holding company on a regular basis in the form of cash dividends or cash advances. The financing obtained from the ultimate holding company (being cash inflow as the initiating step) and the corresponding subsequent repayment to the ultimate holding company is presented as the cash flows from financing activities of the Group in the combined statements of cash flows, which is consistent with the relevant accounting rules.

In 2016, net cash used in financing activities was HK\$347.7 million due to repayment from ultimate holding company.

In 2015, net cash used in financing activities was HK\$326.0 million. This was mainly attributable to HK\$376.4 million in dividends paid by the Group and HK\$46.5 million repayment to a joint venture, offset by HK\$96.8 million in net advances from the ultimate holding company to the Group.

In 2014, net cash used in financing activities was HK\$76.6 million. This was mainly attributable to HK\$504.4 million in dividends paid by the Group, offset by HK\$381.3 million in advances from the ultimate holding company to the Group and HK\$46.5 million in advances from a joint venture.

The Group's Cash Distributions Received from the Expressway JVs

Since the principal business of the Group is to invest in expressways, the Group's primary source of income is the cash distributions received from the Expressway JVs. For the Expressway JVs, their cash available for distribution is generally their toll revenue collected at toll plazas and the entitlements to toll revenue from vehicles passing along the expressways and other ancillary income, after deducting operational and other costs. See *"The Expressway Projects—Cash Distributions"* for more details.

The following table sets out the cash distributions received from the Expressway JVs by the Group for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash Distributions Received from			
Baojin Expressway JV	224,512	148,604	200,949
Tangjin Expressway JV	47,658	102,464	134,185
Changyi Expressway JV	140,977	164,565	168,564
Longcheng Expressway JV	—	—	—
Machao Expressway JV	—	—	—
All Expressway JVs	413,147	415,633	503,698
Disposed Businesses	50,199	53,184	16,733
	<u>463,346</u>	<u>468,817</u>	<u>520,431</u>

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The cash distributions received from the Expressway JVs by the Group remained relatively stable at HK\$415.6 million in 2015 as compared to HK\$413.2 million in 2014. See “*Supplemental Financial Information—Results of Operations of the Expressway JVs*” for more details.

The cash distributions received from the Expressway JVs by the Group increased by HK\$88.1 million, or 21.2%, from HK\$415.6 million in 2015 to HK\$503.7 million in 2016. This increase was primarily due to the increased average daily traffic flow on Baojin, Changyi, Longcheng and Machao Expressways. For key trends associated with individual Expressway JVs, see “*Supplemental Financial Information—Results of Operations of the Expressway JVs*”.

CURRENT ASSETS AND LIABILITIES

The following table sets out the Group’s current assets and current liabilities as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 April
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
CURRENT ASSETS				
Other receivables and prepayments	186,940	181,276	2,971	7,599
Amounts due from ultimate holding company	—	—	118,862	725,250
Amounts due from fellow subsidiaries	645,789	711,437	628,206	—
Loans to joint ventures	146,675	134,976	126,059	126,059
Bank balances and cash	101,439	156,986	343,028	533,502
	<u>1,080,843</u>	<u>1,184,675</u>	<u>1,219,126</u>	<u>1,392,410</u>
CURRENT LIABILITIES				
Other payables and accruals	4,409	4,806	12,840	24,956
Amount due to ultimate holding company	383,733	462,873	—	—
Amount due to a joint venture	46,459	—	—	—
Income tax payable	—	463	—	—
	<u>434,601</u>	<u>468,142</u>	<u>12,840</u>	<u>24,956</u>
NET CURRENT ASSETS	<u>646,242</u>	<u>716,533</u>	<u>1,206,286</u>	<u>1,367,454</u>

We had net current assets of HK\$646.2 million, HK\$716.5 million, HK\$1,206.3 million and HK\$1,367.5 million as of 31 December 2014, 2015 and 2016 and 30 April 2017 (the “**Indebtedness Date**”), respectively.

Our net current assets increased by HK\$70.3 million, or 10.9%, from HK\$646.2 million as of 31 December 2014 to HK\$716.5 million as of 31 December 2015. This increase was primarily due to (i) an increase in the amounts due from fellow subsidiaries as a result of resource allocations among different entities within the RKL Group in accordance with their business needs; (ii) an increase in the Group’s bank balances and cash as a result of (a) the proceeds from the sale of its Disposed Businesses; and (b) the increased cash distributions from the Expressway JVs; and (iii) a decrease in the amount due to a joint venture as a result of our repayment to the joint venture, offset by an increase in the amount due to the ultimate holding company as a result of its advances to us to support our Group’s business development.

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Our net current assets increased by HK\$489.8 million, or 68.4%, from HK\$716.5 million as of 31 December 2015 to HK\$1,206.3 million as of 31 December 2016. This increase was primarily due to (i) the decrease in the amount due to the ultimate holding company, RKI, as a result of our repayment to RKI; (ii) the increase in the amount due from RKI as a result of our advances to RKI to support its business development; and (iii) bank balances and cash not being depleted in 2016 by the declaration and payment of dividends unlike in 2015 where dividends were declared and paid.

Our net current assets increased by HK\$161.2 million, or 13.4%, from HK\$1,206.3 million as of 31 December 2016 to HK\$1,367.5 million as of 30 April 2017. This was primarily due to an increase in the bank balances and cash as a result of the increased cash distributions from the Expressway JVs, partially offset by a decrease in the amounts due from different entities within the RKI Group as a result of their net repayments to us.

INDEBTEDNESS

During the Track Record Period, the Group incurred no bank loans at the Group level. The Group funded its capital requirements primarily through cash distributions received from the Expressway JVs as well as borrowings from the related parties. In the future, the Group will use funding from cash distributions and funding raised from the capital markets to finance its working capital, service its debt requirements (if any) and fund its capital expenditure. The Group may also enter into bank loan agreements.

During the Track Record Period, the Expressway JVs funded their capital requirements primarily through toll receipts collected at toll plazas and the entitlements of toll revenue for vehicles passing through the expressways. Certain Expressway JVs also funded their capital requirements through loans from the relevant Expressway JV Partners and/or our Group or bank loans in addition to the Expressway JVs' own funding. In the future, the Expressway JVs will continue to use similar funding sources to finance its working capital, service its debt requirements and fund its capital expenditure.

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Indebtedness of the Group to and from the Related Parties

During the Track Record Period and as of 30 April 2017, other than borrowings from its related parties, the Group incurred no loans or borrowings at the Group level. The following table sets out the Group's balances relating to related parties as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 April
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Amounts due from:				
Ultimate holding company				
RKI	—	—	118,862	725,250
Fellow subsidiary				
RK Management Consultants (Guangzhou) Limited	645,789	711,437	628,206	—
Total amounts due from related parties:	<u>645,789</u>	<u>711,437</u>	<u>747,068</u>	<u>725,250</u>
Amounts due to:				
Ultimate holding company				
RKI	383,733	462,873	—	—
Joint venture				
Hebei Tangjin Expressway Company Limited	46,459	—	—	—
Total amounts due to related parties:	<u>430,192</u>	<u>462,873</u>	<u>—</u>	<u>—</u>
Net balances relating to related parties:	<u>215,597</u>	<u>248,564</u>	<u>747,068</u>	<u>725,250</u>

All of the amounts due to/from related parties listed in the table above were unsecured, interest-free and repayable on demand. They are all non-trade in nature and they represented the intra-group financing between the Group and the ultimate holding company or fellow subsidiary.

The net balances relating to related parties increased from HK\$215.6 million as of 31 December 2014 to HK\$248.6 million as of 31 December 2015. This increase was primarily due to (i) an increase in the amount due from RK Management Consultants (Guangzhou) Limited primarily due to the increased working capital provided to that company to support its business development; and (ii) a decrease in the amount due to Hebei Tangjin Expressway Company Limited primarily due to our repayment to it. This was offset by an increase in the amount due to RKI, primarily due to its provision of working capital to our Group in 2015 to support our business development.

The net balances relating to related parties increased from HK\$248.6 million as of 31 December 2015 to HK\$747.1 million as of 31 December 2016. This increase was primarily due to our repayment to RKI and the increase in the amount due from RKI as a result of our advances to RKI to support its business development.

The net balances relating to related parties remained relatively stable at HK\$725.3 million as of 30 April 2017 as compared to HK\$747.1 million as of 31 December 2016.

All amounts due from and due to related parties will be settled before Listing.

During the Track Record Period, none of the Group's borrowings from its related parties contained any material covenant.

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The dividends paid by the Group to RKI for the years ended 31 December 2014, 2015 and 2016 were HK\$504.4 million, HK\$376.4 million and nil, respectively. A dividend of HK\$740.0 million was declared by RKC to the Remaining RKI Group on 19 June 2017 to settle the outstanding current accounts between the Remaining RKI Group and the Group by way of set off against payment obligations of RKC.

Indebtedness of the Expressway JVs

During the Track Record Period and as of 30 April 2017, Changyi Expressway JV, Longcheng Expressway JV and Machao Expressway JV had incurred interest-bearing bank borrowings and loans from our Group and/or our respective Expressway JV Partner(s). Baojin Expressway JV and Tangjin Expressway JV did not incur any interest-bearing bank borrowing or loan from us or our respective Expressway JV Partner during the Track Record Period and as of the same date.

Changyi Expressway JV

As of 31 December 2014, 2015 and 2016, Changyi Expressway's bank borrowings amounted to HK\$258.1 million, HK\$198.4 million and HK\$139.0 million, respectively. As of the same date, its loans from our Group amounted to HK\$258.1 million, HK\$198.4 million and HK\$139.0 million, respectively, all of which were unsecured. The amount of loans from our Group included in non-current assets of HK\$206.5 million, HK\$148.8 million and HK\$92.6 million as of 31 December 2014, 2015 and 2016, respectively, is due in October 2019 and the remaining amount is due within one year at the end of each reporting period and included in current assets of the combined statements of financial position of our Group.

During the Track Record Period, the interest rates of Changyi Expressway JV's bank borrowings and loans from our Group were 10% over the lending rate set by the PBOC. The decrease in bank borrowings and loans from our Group during the Track Record Period was primarily due to Changyi Expressway JV's partial repayments. The average interest rate of the Changyi Expressway JV's bank borrowings and loans from our Group decreased from 7.14% in 2014 to 6.05% in 2015 and further to 5.39% in 2016, primarily due to the decrease in the lending rate set by the PBOC during 2015 under the government's easing monetary policies.

Changyi Expressway JV's bank borrowings decreased from HK\$139.0 million as of 31 December 2016 to HK\$114.5 million as of 30 April 2017. Changyi Expressway JV's loans from our Group decreased from HK\$139.0 million as of 31 December 2016 to HK\$114.5 million as of 30 April 2017. Both decreases were due to Changyi Expressway JV's partial repayments.

During the Track Record Period, Changyi Expressway JV did not breach any of the material covenants of its bank borrowings or loans from our Group.

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The following table sets out the maturity profile of the Changyi Expressway JV's interest-bearing bank borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans repayable				
Within one year	51,624	49,610	46,332	45,828
In the second to fifth year inclusive	206,460	148,792	92,631	68,708
Over five years	—	—	—	—
Total	<u>258,084</u>	<u>198,402</u>	<u>138,963</u>	<u>114,536</u>

Longcheng Expressway JV

As of 31 December 2014, 2015 and 2016, Longcheng Expressway JV's bank borrowings amounted to HK\$3,540.6 million, HK\$3,390.2 million and HK\$3,143.5 million, respectively. During the Track Record Period, Longcheng Expressway JV had a syndicated loan outstanding, which bore the same interest rate as the lending rate set by the PBOC. The decrease in bank borrowings during the Track Record Period was primarily due to the Longcheng Expressway JV's exchange differences arising out of the depreciation of the Renminbi against the Hong Kong dollar in 2015 and 2016. The average interest rate of the Longcheng Expressway JV's bank borrowings decreased from 6.55% in 2014 to 6.15% in 2015 and further to 4.9% in 2016, primarily due to a decrease in the lending rate set by the PBOC during 2015 under the government's easing monetary policies.

As of 31 December 2014, 2015 and 2016, Longcheng Expressway's loans from a Longcheng Expressway JV Partner and us amounted to HK\$196.7 million, HK\$189.0 million and HK\$176.5 million, respectively, of which approximately HK\$88.8 million, HK\$85.4 million and HK\$79.7 million were made by us. The loans made by our Group to Longcheng Expressway JV were unsecured, interest-free and due within one year. The maturity date of the loan is renewed annually. The decrease in Longcheng Expressway's loans from the Longcheng Expressway JV Partner and us during the Track Record Period was primarily due to exchange differences arising out of the depreciation of the Renminbi against the Hong Kong dollar in 2015 and 2016.

As of 30 April 2017, Longcheng Expressway JV's bank borrowings were HK\$3,109.3 million. As of the same date, Longcheng Expressway JV's loans from the Longcheng Expressway JV Partner and us were HK\$174.7 million.

During the Track Record Period, Longcheng Expressway JV did not breach any of the material covenants of its bank borrowings or loans from the Longcheng Expressway JV Partner or us.

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The following table sets out the maturity profile of the Longcheng Expressway JV's interest-bearing bank borrowings as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 April
	HK\$'000	HK\$'000	HK\$'000	2017
Bank loans repayable				HK\$'000
Within one year	177,665	24,390	45,558	45,062
In the second to fifth year inclusive	1,218,274	548,780	785,877	777,320
Over five years	2,144,670	2,817,074	2,312,073	2,286,896
Total	<u>3,540,609</u>	<u>3,390,244</u>	<u>3,143,508</u>	<u>3,109,278</u>

Machao Expressway JV

As of 31 December 2014, 2015 and 2016, Machao Expressway JV's bank borrowings amounted to HK\$126.9 million, HK\$2,090.0 million and HK\$1,908.3 million, respectively. During the Track Record Period, Machao Expressway JV had bank borrowings outstanding that were pegged to the lending rate set by the PBOC with different additional margins. The increase in bank borrowings from HK\$126.9 million as of 31 December 2014 to HK\$2,090.0 million as of 31 December 2015 was primarily a result of the Expressway JV taking out a bank loan in order to repay the loans from the Machao Expressway JV Partner and us in 2015. The decrease in bank borrowings from HK\$2,090.0 million as of 31 December 2015 to HK\$1,908.3 million as of 31 December 2016 was primarily due to the bank borrowings' partial repayment. The average interest rate of Machao Expressway JV's bank borrowings increased from 6.0% in 2014 to 6.2% in 2015 primarily due to the refinancing of loans from the Machao Expressway JV Partner and us by bank loans which bore higher interest rates. It decreased from 6.2% in 2015 to 5.3% in 2016, primarily due to a decrease in the lending rate set by the PBOC during 2015 under the government's easing monetary policies.

As of 31 December 2014, 2015 and 2016, Machao Expressway's loans from the Machao Expressway JV Partner and us amounted to HK\$1,928.9 million, nil and nil, respectively, among which HK\$6.2 million, nil and nil were made by our Group. The loans made by our Group to Machao Expressway JV were unsecured and carried an interest at a fixed rate of 6.0% per annum. The loans from the Machao Expressway JV Partner and us decreased from HK\$1,928.9 million as of 31 December 2014 to nil as of 31 December 2015, primarily due to the full repayment by Machao Expressway JV.

As of 30 April 2017, Machao Expressway JV's bank borrowings were HK\$1,880.0 million. As of the same date, Machao Expressway JV did not have any loans from the Machao Expressway JV Partner or us.

Except as disclosed in this section, during the Track Record Period, Machao Expressway JV did not breach any of the material covenants of its bank borrowings or loans from the Machao Expressway JV Partner or us.

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The following table sets out the maturity profile of the Machao Expressway JV's interest-bearing bank borrowings as of the dates indicated:

	As of 31 December			As of 30 April
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans repayable				
Within one year	126,904	16,220	18,793	63,650
In the second to fifth year inclusive	—	635,488	592,027	555,671
Over five years	—	1,438,292	1,297,494	1,260,722
Total	<u>126,904</u>	<u>2,090,000</u>	<u>1,908,314</u>	<u>1,880,043</u>

During the Track Record Period, Machao Expressway JV did not comply with some of the covenants in the relevant pledge agreements with China Development Bank (“CDB”) and Bank of Communications (“BOCOM”), which also led to non-compliance with relevant covenants in the respective loan agreements. The table below sets forth certain details of the loan agreements and the non-compliance:

Lending Bank	Main Terms	Covenants not Complied (“Non-Compliance”)
CDB	<p>Borrowing Date: 27 February 2013</p> <p>Principal amount: RMB1,000,000,000</p> <p>Balance as of 31 December 2016: RMB1,000,000,000</p> <p>Percentage of Toll Receipts of Machao Expressway JV pledged: 100%</p>	<p>Pledge agreement:</p> <ol style="list-style-type: none"> a. Refraining from making additional pledges without CDB's written consent; and b. Depositing a required proportion of Machao Expressway JV's toll receipts to the accounts designated by CDB. <p>Relevant covenants in the loan agreement as a result of the non-compliance with the above covenants in the pledge agreement.</p>
BOCOM	<p>Borrowing Date: 14 January 2015</p> <p>Principal amount: Loan Facility A: RMB600,000,000 Loan Facility B: RMB200,000,000</p> <p>Balance as of 31 December 2016: RMB385,600,000</p> <p>Percentage of Toll Receipts of Machao Expressway JV pledged: 100%</p>	<p>Pledge agreements:</p> <ol style="list-style-type: none"> a. No other pledge exists; and b. Depositing all of Machao Expressway JV's toll receipts to an account designated by BOCOM. <p>Relevant covenants in the loan agreements as a result of the non-compliance with the above covenants in the pledge agreements.</p>

In preparation for the Listing, our Group reviewed its and the Expressway JVs' compliance with the loan and pledge agreement covenants and found Machao Expressway JV not to be in compliance with of certain of these covenants. Thereafter, our Group and Machao Expressway JV have taken certain actions to discuss the materiality of these with the relevant banks.

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Machao Expressway JV has received confirmation letters from CDB and BOCOM in March 2017 (each a “**Confirmation Letter**” and together the “**Confirmation Letters**”), respectively, confirming that (i) Machao Expressway JV had been making timely repayments of all principal and interest as of the dates thereof, (ii) the loan agreements, and relevant guarantees and/or pledge agreements (as applicable) will continue to be valid, (iii) the practice of Machao Expressway JV before the dates thereof, in spite of the non-compliance, did not affect the arrangements set forth in the agreements; (iv) Machao Expressway JV can continue to utilise the loans and make repayments as originally scheduled for the remainder of the contract terms, and (v) the banks will not demand early repayment of the loans solely as a result of this issue during the remainder of the contract terms provided that the principal and interest are fully repaid on time.

Each of the pledge agreements with BOCOM referred to above and a loan agreement dated 14 January 2015 with ICBC for RMB600,000,000 (of which RMB289,900,000 was outstanding as of 31 December 2016) requires that the respective lending banks be named as the primary beneficiary under certain insurance to be obtained for Machao Expressway JV. Whilst this provision was not complied with, each of the relevant banks confirmed, in due diligence interviews conducted by the Joint Sponsors, that the relevant banks did not consider the relevant provisions which appear in its standard form documentation to apply in the case of Machao Expressway JV and accordingly that compliance with such provisions was not required and that any non-compliance would not have any consequences for Machao Expressway JV.

In addition, we have been advised by our PRC legal adviser that, given that (i) the banks were aware that Machao Expressway JV’s practice was not in strict compliance with the agreements but they had never raised any objection; (ii) the Confirmation Letters state that, among other things, (a) the relevant agreements will continue to be valid, (b) Machao Expressway JV can continue to utilise the loans and make repayments as originally scheduled for the remainder of the contract terms, and (c) the banks will not request early repayment of the loans solely as a result of this issue during the remainder of the contract terms provided that the principal and interest are fully repaid on time; and (iii) the confirmations from the due diligence interviews with the relevant banks that, as applicable, (a) the Confirmation Letters are valid and effective; (b) the relevant banks did not consider the relevant provisions which appear in its standard form documentation to apply in the case of Machao Expressway JV and accordingly that compliance with such provisions was not required and that any non-compliance would not have any consequences for Machao Expressway JV, they are of the view that, (i) based on the PRC contract law, Machao Expressway JV’s practice, though not fully compliant with the stated requirements, is not a ground to terminate the relevant loan agreements, (ii) outstanding bank borrowings will not be accelerated, (iii) Machao Expressway JV will not incur other liabilities relating to the non-compliance, and (iv) the non-compliance will not have any material and adverse impact on Machao Expressway JV.

Based on the facts stated the above, the Confirmation Letters, the confirmations from the due diligence interviews and the Company’s PRC legal adviser’s advice, the Directors are of the view that the non-compliance is unlikely to trigger any material legal or financial consequences in the future. The non-compliance is isolated to Machao Expressway JV and does not affect the other Expressway JVs.

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However, there is no assurance that the confirmations will not be revoked. In case there is any further non-compliance with bank covenants by Machao Expressway JV or if any of the confirmations is revoked, the cross default provisions in the loan agreements may be triggered and the banks may, among others, request early repayment of the outstanding loans at the material times and/or reduce the credit limit granted to Machao Expressway JV. See “*Risk Factors—Risks Relating to Our Business and Operations—Non-compliance with bank covenants by one of our Expressway JVs may result in demand for early repayment of loans and/or reduction in the credit limit granted to that Expressway JV*” for more details. We have put in additional internal control measures to prevent recurrence of non-compliance with the relevant loan contracts. See “*Business—Internal Control and Risk Management Policies—Enhanced Internal Controls*” for more details.

Except as disclosed above in this section, our Directors have confirmed that our Group and the Expressway JVs had not defaulted or delayed in making any payments or repayments under any banking facility, or experienced any difficulties in obtaining banking facilities with terms that are commercially acceptable to us, during the Track Record Period and up to the Latest Practicable Date. Except as disclosed in this Financial Information section, as of the date of this prospectus, our Group and the Expressway JVs did not have any plan for material external debt financing.

Loan Facilities

The Group

As of 31 December 2016, the Group did not have any bank borrowing or loan facilities.

Baojin Expressway JV

As of 31 December 2016, Baojin Expressway JV did not have any bank borrowing or loan facilities.

Tangjin Expressway JV

As of 31 December 2016, Tangjin Expressway JV did not have any bank borrowing or loan facilities.

Changyi Expressway JV

In July 2011, Changyi Expressway JV, as borrower, entered into a fixed-asset credit facility in the total amount of up to RMB294,000,000 with China Merchants Bank as lender (as amended on August 2011).

- Purpose: to finance the major repairs of Changyi Expressway
- Interest Rate: five-year lending rate set by the PBOC (adjusted monthly)
- Maturity Date: 18 July 2019
- Guarantee: guaranteed by the Changyi Expressway JV Partner

Summary of material covenants and events of default

The above loan facility contains certain customary covenants which may restrict the borrower and, where relevant, the guarantor to, among other things: (i) without prior written

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consent of the lender, enter into any material transactions, including but not limited to merger, division, reorganisation, equity transfer, joint venture, transfer of property, change of shareholding structure and foreign investment; (ii) dispose of any major property or assets; and (iii) incur any material change in its equity ownership. In addition, the loan facility also requires the borrower to: (i) deposit the toll receipts received from operating the expressway in an account designated by the lender; (ii) allow the lender to monitor the usage of 50% of the funds in the designated account; and (iii) ensure there is no default in payment of the major repairs.

The above loan facility also contains certain customary events of default including, but not limited to: (i) breach of any obligations by the borrower or the guarantor (as applicable); (ii) breach of certain covenants and representations and warranties of the loan agreement and failure to take remedial measures; and (iii) default in relation to any indebtedness of the borrower which exceeds RMB5 million and not resolved within three months of the relevant default.

Upon the occurrence of an event of default, the lender may, among other things, accelerate the loan repayment and directly deduct the outstanding loan balance from the designated account opened with the lender.

Longcheng Expressway JV

In January 2011, Longcheng Expressway JV, as borrower, entered into a syndicated loan facility in the total amount of up to RMB2,950,000,000 with a group of lenders, with Shanghai Pudong Development Bank as the lead bank. The loan facility was subsequently amended in January 2012 and May 2015.

- Purpose: to finance the construction of Longcheng Expressway and the repayment of shareholders' loans for the same construction project.
- Interest Rate: five-year lending rate set by the PBOC (adjusted annually)
- Maturity Date: 20 November 2028
- Security: the syndicated loan is secured by the pledge of receivables generated from the toll collection rights from the completed Longcheng Expressway.

Summary of material covenants and events of default

The above loan facility contains certain customary covenants which restrict the ability of the borrower to, among other things: (i) create any security interest over its property or assets; (ii) sell, lease, transfer or in any other way dispose of its material assets; (iii) without prior consent of the lender, (a) enter into any merger, division, contract operation or any similar arrangements, (b) reduce its registered capital, (c) incur any indebtedness, except for the permitted indebtedness, or (d) make investments, except for the permitted investments. In addition, the loan facility also requires the borrower not to (i) pledge Longcheng Expressway's toll collection rights to any other lender or (ii) distribute profits or dividends before the loan payments due that year are repaid in full or when the syndicate deems that distributions shall not be made.

The above syndicated loan facility also contains certain customary events of default including, but not limited to: (i) breach of any obligations by the borrower under the loan

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agreement; (ii) material breach of any representation or warranty; (iii) debt restructuring, cross default or cross acceleration in relation to any indebtedness of the borrower that in aggregate exceed RMB10 million; (iv) cessation of business, dissolution, liquidation, winding-up reorganisation or similar legal procedures; (vi) change of control, where Jinzhong Public Infrastructure Investment Holding (Group) Company Limited, one of the Longcheng Expressway JV Partners, ceases to hold 51% per cent. or more of the equity interest in the borrower; and (vii) liquidation or confiscation of the borrower's assets which in aggregate exceed RMB 10 million and such asset is not released within three months of the relevant liquidation or confiscation.

Upon the occurrence of an event of default, the lender may, among other things, accelerate the loan repayment.

Machao Expressway JV

1. RMB1,500,000,000 loan facility dated 27 February 2013

In February 2013, Anhui Transportation Holding Group Company Limited, the Machao Expressway JV Partner, entered into a loan facility as borrower in the total amount of up to RMB1,500,000,000 with CDB, as lender (as amended on 30 December 2014, where Machao Expressway JV was substituted as borrower under the facility, and the amount of the facility was adjusted down to RMB1,000,000,000).

- Purpose: to finance the construction of Machao Expressway
- Interest Rate: five-year lending rate set by the PBOC (adjusted every time when the PBOC announces a revised rate)
- Maturity Date: 27 February 2036
- Guarantee: the facility (as amended and restated) is guaranteed by the Machao Expressway JV Partner and Shanghai Junxiang Properties Development Co., Ltd., a related party of ours, up to 51% and 49% of the amount of the facility, respectively.
- Security: the facility is also secured by the pledge of all toll receipts of Machao Expressway.

2. RMB800,000,000 credit facilities dated 14 January 2015

In January 2015, Machao Expressway JV, as borrower, entered into a loan facility in the total amount of up to RMB600,000,000 ("**Loan Facility A**") and a loan facility in the total amount of up to RMB200,000,000 ("**Loan Facility B**") with BOCOM as lender.

- Purpose:
 - Loan Facility A: to refinance the loans from the Machao Expressway JV Partner for the construction of Machao Expressway
 - Loan Facility B: to finance the construction of Machao Expressway
- Interest Rate:
 - Loan Facility A: 4.83% over the five-year lending rate set by the PBOC (adjusted annually)

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Loan Facility B: 6% over the five-year lending rate set by the PBOC (adjusted annually)

- Maturity Date: 31 December 2020
- Guarantee: the facilities are guaranteed by the Machao Expressway JV Partner and Shanghai Junxiang Properties Development Co., Ltd., a related party of ours, up to 51% and 49% of the amount of respective loan facilities.
- Security: the facilities are also secured by the pledge of all toll receipts of Machao Expressway.

3. RMB600,000,000 loan facility dated 29 April 2015

In April 2015, Machao Expressway JV, as borrower, entered into a loan facility in the total amount of up to RMB600,000,000 with ICBC as lender.

- Purpose: to finance the operation of Machao Expressway and the replacement of the loan from BOCOM.
- Interest Rate: five-year lending rate set by the PBOC (adjusted every 12 months)
- Maturity Date: 25 April 2030
- Security: the facility is secured by the pledge of all toll receipts of Machao Expressway.

Summary of material covenants and events of default

The above loan facilities contain certain customary covenants which may restrict the ability of the borrower, and where relevant, the guarantors to, among other things: (i) sell, give, lease, lend, transfer, mortgage, pledge or dispose of its material assets; (ii) change its organisation structure, including but not limited to any contracting, leasing, joint ventures, merger, division, setting up subsidiaries, transfer of equity interest, transfer of property and reduction of registered capital; (iii) conduct foreign investment; (iv) pay a cash dividend before loan payments due that year are repaid in full; or (v) provide guarantees to third parties. In addition, loan facilities also require the borrower to: (i) have adequate insurance coverage on the project and designate the respective lending bank as the primary beneficiary of such insurance policy; and (ii) designate a special account with each lender and to deposit the toll receipts received from operating the expressway in these accounts.

The above loan facilities also contain certain customary events of default including, but not limited to: (i) breach of any obligations by the borrower under the facilities; (ii) breach of any representation or warranty to be true in all material respects; (iii) cross default and cross acceleration in relation to any indebtedness of the borrower; (iv) liquidation, winding-up or similar legal procedures; (v) downgrade in the credit rating of the borrower; and (vi) any disputes, legal or administrative proceedings against the borrower or its management, or any other event that may have adverse effect on the borrower's ability to perform its obligation under the loan facilities.

Upon the occurrence of an event of default, the lenders may accelerate the loan outstanding under all the above loan facilities and for certain of the above loan facilities, may directly deduct the owed payments from the designated account.

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Indebtedness Statement

Borrowings and Contingent Liabilities

As of the close of business on 30 April 2017, being the latest practicable date for the purpose of his indebtedness statement, the Group did not have any bank overdraft, outstanding bank borrowings or loan facilities. As of the same date, while the unutilised bank borrowings at the Group level were nil, we have received commitment letters from The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., confirming availability of committed term loans for principal amounts of HK\$750.0 million for working capital purposes and US\$25.0 million drawable within 12 months of Listing for future acquisitions, respectively. The availability of each committed loan is conditional upon the Listing taking place and may be drawn down following the signing of relevant contract documentation and is subject to the conditions in the respective loan documents to be entered into by the relevant parties. The loans need not be guaranteed by nor secured by any assets of any member of the Remaining RKI Group.

As of 30 April 2017, the Expressway JVs' total outstanding bank borrowings and loans from our Group and/or our respective Expressway JV Partner(s) were HK\$5,103.8 million and HK\$289.2 million, respectively. The Expressway JVs' unutilised bank borrowings were HK\$341.7 million.

For the details of the Group's contingent liabilities, please see "*Contractual Obligations—Contingent Liabilities*".

As of 30 April 2017, other than as disclosed above, the Group and the Expressway JVs did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Since 30 April 2017 and up to the date of the prospectus, there had not been any material adverse change in the Group's and the Expressway JVs' indebtedness and contingent liabilities other than the payment obligations of the Remaining RKI Group guaranteed by members of the Group. Those guarantees will be released upon Listing.

CAPITAL EXPENDITURES

Historical Capital Expenditures

The Group had no material capital expenditures during the Track Record Period.

The following table sets forth the Expressway JVs' capital expenditures for the periods indicated:

	Year ended 31 December 2014					Total
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases of items of property, plant and equipment	8,744	21,574	9,658	2,402	3,302	45,680
Costs related to major repairs	<u>52,753</u>	<u>185,432</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>238,185</u>
	<u>61,497</u>	<u>207,006</u>	<u>9,658</u>	<u>2,402</u>	<u>3,302</u>	<u>283,865</u>

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	Year ended 31 December 2015					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases of items of property, plant and equipment	5,715	32,531	10,448	1,723	2,334	52,751
Costs related to major repairs	47,407	98,372	—	—	—	145,779
	<u>53,122</u>	<u>130,903</u>	<u>10,448</u>	<u>1,723</u>	<u>2,334</u>	<u>198,530</u>
	Year ended 31 December 2016					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases of items of property, plant and equipment	4,205	7,458	4,132	1,808	259	17,862
Costs related to major repairs	17,868	4,585	—	—	—	22,453
	<u>22,073</u>	<u>12,043</u>	<u>4,132</u>	<u>1,808</u>	<u>259</u>	<u>40,315</u>

The Expressway JVs' capital expenditures during the Track Record Period comprised expenditures on property, plant and equipment and costs related to major repairs. The Expressway JVs finance their capital expenditures through loans from the relevant Expressway JV's partners or bank loans in addition to the Expressway JVs' own funding.

During the Track Record Period, Longcheng Expressway JV incurred HK\$241.6 million, HK\$49.9 million and HK\$28.6 million construction costs for the completion of remaining construction work in 2014, 2015, 2016, respectively, Machao Expressway JV incurred HK\$205.0 million, HK\$30.1 million and HK\$13.1 million construction costs for the completion of remaining construction work in 2014, 2015, 2016, respectively.

Planned Capital Expenditures

As of the Latest Practicable Date, there is no material planned expenditure at the Group level for the year ending 31 December 2017.

As of the Latest Practicable Date, the planned expenditures of the Expressway JVs for the year ending 31 December 2017 are estimated to amount to HK\$102.5 million, of which HK\$15.4 million will be contributed by the Group, and mainly includes the construction of a new interchange on Longcheng Expressway.

CONTRACTUAL OBLIGATIONS

Capital Commitments

During the Track Record Period, the Group did not have any material capital commitments other than the operating lease commitments set out below.

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Operating Lease Commitments

As Lessor

During the Track Record Period, our Group subleased office space out to tenants. The following table sets out the minimum future lease payments as of the dates indicated:

	As of 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	—	2,252	2,511
In the second to fifth year inclusive	—	3,024	278
	—	5,276	2,789
	<u>—</u>	<u>5,276</u>	<u>2,789</u>

As Lessee

During the Track Record Period, as a lessee, our Group leased certain spaces under operating leases. The following table sets out the Group's outstanding commitments for future minimum lease payments under non-cancellable operating leases that fall due as of the dates indicated:

	As of 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	531	4,046	4,020
In the second to fifth year inclusive	—	4,305	445
	531	8,351	4,465
	<u>531</u>	<u>8,351</u>	<u>4,465</u>

The commitments represent rentals payable by the Group for its office premises with the lease periods ranging from one to three years. Monthly rental was fixed and recognised over the terms of the leases.

Contingent Liabilities

The Group provided joint financial guarantees with its ultimate holding company in respect of the banking facilities granted to, and senior notes and perpetual capital securities issued by, members of the Remaining RKI Group. The amount guaranteed as of 31 December 2014, 2015 and 2016 and 30 April 2017 was HK\$9,426.7 million, HK\$9,458.8 million, HK\$9,389.6 million and HK\$11,900.3 million, respectively. In the opinion of our Directors, the fair value of the guarantees is insignificant. Certain members of our Group will also guarantee the US\$300.0 million perpetual capital securities announced by RKI after 30 April 2017 to be issued by a member of the Remaining RKI Group subject to completion of the issue. All these guarantees given by members of our Group will be released upon Listing, in accordance with the terms of the relevant notes or perpetual capital securities or otherwise through refinancing of the relevant bank borrowings.

As of the Latest Practicable Date, other than those guarantees noted above, our Group did not have any material contingent liabilities or guarantees that would not be released upon Listing. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

During the Track Record Period and as of the Latest Practicable Date, the Expressway JVs did not have any material contingent liabilities and had not granted any material guarantees. The Expressway JVs are not currently involved in any material legal proceedings,

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nor are we aware of any pending or potential material legal proceedings involving the Expressway JVs.

RELATED PARTY TRANSACTIONS

The Group had various transactions with related parties during the Track Record Period. The Directors of the Group confirm that all related party transactions have been conducted on an arms' length basis, other than financial assistance and sharing of staff and directors costs between our Group and the Remaining RKI Group which are to terminate upon Listing. See note 28 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus and "*Connected Transactions*" for more details.

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Save as disclosed elsewhere in this prospectus, the table below sets out the transactions the Group had with its fellow subsidiaries and joint ventures during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Reimbursement of sharing office rental expense received from a fellow subsidiary			
King Sea Group Limited	2,696	1,813	1,110
Rental income from fellow subsidiaries			
Jinghui Fund Management (Shenzhen) Co., Ltd. (深圳勁惠基金管理有限公司)	—	179	391
Sizhi Trade (Shenzhen) Co., Ltd. (思智貿易(深圳)有限公司)	—	1,590	1,540
Yiwenda (Shenzhen) Investment Management Co., Ltd. (深圳市億文達投資管理有限公司)	—	—	257
	<u>—</u>	<u>1,769</u>	<u>2,188</u>
Reimbursement of sharing utilities and other office administrative expenses received from a fellow subsidiary			
Road King Infrastructure Management Limited	578	566	36
	<u>3,274</u>	<u>4,148</u>	<u>3,334</u>
Reimbursement of sharing office rental expense paid to a fellow subsidiary			
Road King Infrastructure Management Limited	2,394	2,040	2,122
Reimbursement of sharing utilities and other office administrative expenses paid to a fellow subsidiary			
Road King Infrastructure Management Limited	18,822	10,695	8,097
	<u>21,216</u>	<u>12,735</u>	<u>10,219</u>
Management fee income from joint ventures			
Machao Expressway JV	—	754	665
Baojin Expressway JV	1,773	1,880	1,869
Tangjin Expressway JV	1,970	1,997	2,051
Changyi Expressway JV	1,550	1,567	1,603
Longcheng Expressway JV	771	723	659
Other joint ventures relating to the Disposal Group	827	1,082	796
	<u>6,891</u>	<u>8,003</u>	<u>7,643</u>
Loan interest income from joint ventures			
Machao Expressway JV	225	144	—
Changyi Expressway JV	20,582	14,310	9,071
	<u>20,807</u>	<u>14,454</u>	<u>9,071</u>

Note:

Management fee income from joint ventures represents the fees paid to the Group as a result of seconding employees of the Group to the Expressway JVs.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of financial risks, including market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner. For more details, see note 24(b) to

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the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

Market Risk

Our activities expose us primarily to the market risks of changes in interest rates. There has been no significant change to our exposure to market risks or the manner in which we manage and measure the risk over the Track Record Period.

Interest Rate Risk

We are exposed to fair value interest rate risk arising from fixed rate loans to the Expressway JVs. We are also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and the variable rate loans to an Expressway JV. We currently do not use any derivative contracts to hedge our exposure to interest rate risk but may consider to use them in the future should the need arise.

If the interest rate had been 100 basis points higher/lower and all other variables were held constant, our Group's profit for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 would decrease/increase by HK\$1.9 million, HK\$1.5 million and HK\$1.0 million.

Foreign Currency Risk

The functional currency of the Expressway JVs is the Renminbi. However, our combined financial information is presented in Hong Kong dollars. Any appreciation of the Hong Kong dollar against the Renminbi will affect our reported financial position in Hong Kong dollars and be reflected in the exchange reserve. While fluctuations of the Renminbi against the Hong Kong dollar did not materially affect our actual business, results of operations or financial position within the PRC, the Group's reported results of operations in Hong Kong dollars have been affected by the fluctuations in exchange rates during the Track Record Period. Certain transactions of our Group are denominated in foreign currencies that are different from the functional currency of the respective Group entities. Therefore, our Group is exposed to foreign currency risk. See Note 24(b) to the Accountants' Report on Historical Financial Information set out in the Appendix I to this prospectus for more details. Sensitivity analysis on foreign currency is not presented as the management of our Group considers that the exposure to foreign currency risk is insignificant in view of our insignificant foreign currency denominated assets and liabilities.

Credit Risk

As of the end of each reporting period, our Group's maximum exposure to credit risk which would cause a financial loss to our Group due to failure to discharge an obligation by the counterparties arises from: (a) the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position; and (b) the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 27 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

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The management of our Group considers that the credit risk on liquid funds is low as counterparties are banks that do not have a liquidity problem.

Other than the amounts due from the ultimate holding company and a fellow subsidiary, loans to joint ventures and deferred consideration on disposal of interests in joint ventures as mentioned in Note 18 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus, respectively, our Group has no significant concentration of credit risk. The deferred consideration on disposal of interests in joint ventures was fully settled in 2016. The fellow subsidiary is a wholly-owned subsidiary of RKI which is engaged in the property development business in the PRC which has a sound financial position. The management of the Group considers the credit risk of amounts due from the ultimate holding company and the fellow subsidiary to be low. The Group is able to exercise joint control on the relevant activities of the joint ventures with PRC joint venture partners to ensure the joint ventures maintain favourable financial positions in order to reduce credit risk on loans to joint ventures. In addition, the management of the respective joint ventures closely monitor the financial position of the joint ventures and the repayment status of the loans to the joint ventures and ensure that follow-up actions are taken to recover the overdue debts, in order to minimise the credit risk. The management is also responsible for reviewing the recoverable amount of individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is not significant.

Liquidity Risk

In the management of the liquidity risk, our Group monitors the cash position resulting from our operations and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The ultimate responsibility for liquidity risk management rests with the management of our Group which has built an appropriate liquidity risk management framework for the management of our Group's short, medium and long-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitoring the forecast and actual cash flows. See Note 24(b) to the Accountants' Report on Historical Financial Information set out in the Appendix I to this prospectus for more details, including a maturity analysis with respect to our Group's liquidity risk.

HEDGING POLICY

Certain transactions of our Group are denominated in foreign currencies that are different from the functional currency of the respective Group entities. Therefore, our Group is exposed to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy. During the Track Record Period, the Group did not enter into any hedging instrument. The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

FINANCIAL INFORMATION

DIVIDEND POLICY

No dividend has been paid or proposed by the Company since its incorporation. The dividends paid by the Group to RKI for the years ended 31 December 2014, 2015 and 2016 were HK\$504.4 million, HK\$376.4 million and nil, respectively.

Our objective is to provide Shareholders with stable distributions with the potential for the sustainable long-term growth of such distributions. See “*Distributions*” for more details.

Our future dividend payments will also depend upon the cash distributions received from the Expressway JVs in China. PRC law requires foreign-invested enterprises to set aside statutory reserves, which are not available for distribution as cash dividends. Distributions from the Expressway JVs may also be restricted if they incur debt or losses or due to PRC law restricting payments of dividends to us or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or the Expressway JVs may enter into the future. See “*Risk Factors—Risks Relating to Our Business and Operations—As a holding company, we rely on dividends and repayments on shareholder loans from our subsidiaries and Expressway JVs for funding*” and “*Regulatory Overview—Foreign Currency Exchange and Dividend Distribution*” for more details.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As of the Latest Practicable Date, except as disclosed in “*Contractual Obligations—Contingent Liabilities*”, the Group have not entered into any material off-balance sheet transactions.

LISTING EXPENSES

Assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), total expenses related to Listing to be borne by us (excluding the discretionary incentive fee) are estimated to be approximately HK\$81.4 million, of which approximately HK\$10.0 million has been expensed as our listing expenses for the year ended 31 December 2016, and HK\$45.2 million will be capitalised and HK\$26.2 million will be expensed as our listing expenses for the year ending 31 December 2017. Separate and apart from the listing expenses borne by us, assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), the total expenses related to Listing to be borne by the Selling Shareholder (excluding the discretionary incentive fee) are estimated to be HK\$12.6 million.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The table below sets out the unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Global Offering on our net tangible assets as of 31 December 2016 as if the Global Offering had taken place and the dividend of HK\$740.0 million declared by RKC to the Remaining RKI Group on 19 June 2017 had then been set off against the payment obligations of RKC.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2016 or any future date following the Global Offering.

	Audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$ (Note 4)
Based on an offer price of HK\$4.00 per Share	4,501,286	1,173,858	5,675,144	3.7
Based on an offer price of HK\$5.50 per Share	4,501,286	1,628,396	6,129,682	4.0

Notes:

- (1) The audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016 are extracted from the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. A material part of the audited combined net tangible assets of our Group attributable to owners of the Company represents the Group's interest in the Expressway JVs, which is in turn derived from the Expressway JVs' concession intangible assets. The audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016 included the carrying amount of interests in joint ventures of HK\$3,224,190,000. As at the same date, the Group's proportionate share of the Expressway JVs' concession intangible assets based on its equity ratio in the respective Expressway JVs was HK\$5,361,359,000.
- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of low end and high end of HK\$4.00 or HK\$5.50 per Share, respectively, after deduction of the underwriting fees and other related expenses incurred or to be incurred by our Company (excluding the discretionary incentive fee) since 1 January 2017, and takes no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares". Listing expenses of HK\$10,000,000 have been incurred by the Group on or before 31 December 2016 and have been accounted for in the audited combined net tangible assets of our Group attributable to owners of the Company as at 31 December 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result and other transactions of the Group entered into subsequent to 31 December 2016.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,550,000,000 Shares are in issue assuming the Global Offering and the Capitalisation Issue have been completed on 31 December 2016 at an Offer Price of HK\$4.00 per Share, being the low end of the Offer Price range.

FINANCIAL INFORMATION

- (5) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company in the table above has not been adjusted to show the effect of the dividend of HK\$740,000,000 declared by RKC on 19 June 2017 (the “Dividend”). Had the Dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share would be further adjusted as follows:

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 after taking into account Dividend	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share after taking into account Dividend
	HK\$'000	HK\$
Based on an offer price of HK\$4.00 per Share	4,935,144	3.2
Based on an offer price of HK\$5.50 per Share	5,389,682	3.5

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2016, being the date at which our latest audited financial information was prepared.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as disclosed in “—*Indebtedness—Indebtedness of the Expressway JVs*”, our Directors confirm that as of the date of this prospectus, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

SUPPLEMENTAL FINANCIAL INFORMATION

RESULTS OF OPERATIONS OF THE EXPRESSWAY JVS

The selected financial information set out below has been extracted from each Expressway JV's summarised financial information for the years ended 31 December 2014, 2015 and 2016, which was prepared in accordance with HKFRSs. The information is set forth in note 16 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. We present the information because these are some of the measures reported to our chief operating decision maker for the purposes of resource allocation and performance assessment. Similarly, we believe that this information provides investors with a more complete representation of the overall results of the individual Expressway JVs that will help investors to make an informed assessment of the overall financial information of the Expressway JVs.

For more details on the selected financial information of our proportionate share of each Expressway JV's summarised financial information for the years ended 31 December 2014, 2015 and 2016, see "*Financial Information—Results of Operations of Our Proportionate Share of the Expressway JVs on an Aggregate Basis*". The selected financial information of the proportionate share of the Expressway JV represents the Group's share of Expressway JVs' results from the operation of expressways in the PRC based on the profit/cash sharing ratios specified in the relevant Expressway JV Contracts for the relevant periods. The proportionate financial information of the Expressway JVs is set forth in note 6 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

Summarised Financial Information of the Expressway JVs

	For the year ended 31 December 2014					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll revenue (net of business tax or value-added tax)	706,207	598,413	652,852	207,386	89,710	2,254,568
Construction revenue ¹	52,753	184,262	—	241,637	205,040	683,692
Total revenue	758,960	782,675	652,852	449,023	294,750	2,938,260
Construction costs ¹	(52,753)	(184,262)	—	(241,637)	(205,040)	(683,692)
Other income	5,259	501	4,420	6,246	1,263	17,689
Toll operation expenses	(106,403)	(70,630)	(85,857)	(29,734)	(3,898)	(296,522)
Administrative expenses	(31,625)	(32,694)	(26,401)	(13,711)	(3,639)	(108,070)
Depreciation and amortisation charges	(126,586)	(129,213)	(188,901)	(45,362)	(18,114)	(508,176)
Finance costs	—	—	(40,075)	(239,294)	(89,503)	(368,872)
Income tax expenses	(110,503)	(94,881)	(83,720)	(31,197)	—	(320,301)
Profit (loss) and total comprehensive income (expenses) for the year	<u>336,349</u>	<u>271,496</u>	<u>232,318</u>	<u>(145,666)</u>	<u>(24,181)</u>	<u>670,316</u>
Cash distributions received from joint ventures during the year	<u>224,512</u>	<u>47,658</u>	<u>140,977</u>	<u>—</u>	<u>—</u>	<u>413,147</u>

SUPPLEMENTAL FINANCIAL INFORMATION

For the year ended 31 December 2015

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll revenue (net of business tax or value-added tax)	772,250	668,414	709,610	242,024	186,899	2,579,197
Construction revenue ⁽¹⁾	47,407	98,372	—	49,854	30,110	225,743
Total revenue	819,657	766,786	709,610	291,878	217,009	2,804,940
Construction costs ⁽¹⁾	(47,407)	(98,372)	—	(49,854)	(30,110)	(225,743)
Other income	5,972	4,313	4,340	3,555	4,574	22,754
Toll operation expenses	(131,679)	(86,832)	(99,061)	(48,585)	(10,150)	(376,307)
Administrative expenses	(27,527)	(31,990)	(31,222)	(10,628)	(8,336)	(109,703)
Depreciation and amortisation charges	(141,976)	(149,248)	(204,331)	(45,757)	(34,669)	(575,981)
Finance costs	—	—	(27,608)	(218,356)	(128,821)	(374,785)
Income tax expenses	(121,556)	(101,769)	(88,575)	(29,923)	—	(341,823)
Profit (loss) and total comprehensive income/ (expenses) for the year	<u>355,484</u>	<u>302,888</u>	<u>263,153</u>	<u>(107,670)</u>	<u>9,497</u>	<u>823,352</u>
Cash distributions received from joint ventures during the year	<u>148,604</u>	<u>102,464</u>	<u>164,565</u>	<u>—</u>	<u>—</u>	<u>415,633</u>

For the year ended 31 December 2016

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll revenue (net of business tax or value-added tax)	794,770	612,174	749,776	316,630	220,233	2,693,583
Construction revenue ⁽¹⁾	17,868	—	—	28,629	13,083	59,580
Total revenue	812,638	612,174	749,776	345,259	233,316	2,753,163
Construction costs ⁽¹⁾	(17,868)	—	—	(28,629)	(13,083)	(59,580)
Other income	6,264	2,559	3,363	1,265	1,324	14,775
Toll operation expenses	(104,325)	(80,183)	(88,762)	(52,677)	(18,269)	(344,216)
Administrative expenses	(27,039)	(32,066)	(29,992)	(11,710)	(9,353)	(110,160)
Depreciation and amortisation charges	(143,481)	(181,796)	(191,797)	(59,786)	(52,206)	(629,066)
Finance costs	—	—	(17,470)	(166,204)	(104,866)	(288,540)
Income tax expenses	(127,420)	(81,496)	(107,819)	(5,768)	—	(322,503)
Profit and total comprehensive income for the year	<u>398,769</u>	<u>239,192</u>	<u>317,299</u>	<u>21,750</u>	<u>36,863</u>	<u>1,013,873</u>
Cash distributions received from joint ventures during the year	<u>200,949</u>	<u>134,185</u>	<u>168,564</u>	<u>—</u>	<u>—</u>	<u>503,698</u>

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Note:

- (1) Construction revenue generated from construction and upgrading services rendered by the Expressway JVs is recognised under the percentage of completion method. The percentage of completion is measured on the basis of contract costs incurred up to the end of each reporting period as a percentage of total estimated costs to be incurred for each service. Such accounting treatment is in compliance with the Hong Kong (IFRIC) Interpretation 12. The fair value of the construction revenue recognised by the Expressway JVs is approximate to the construction costs incurred based on the percentage of completion method and no profit or loss is contributed by the construction income during the relevant periods in this regard. As a result, the construction revenue is equal to the construction costs during the relevant period, and thus has no net effect on our operating profit or profit for the relevant period. See “—Description of Selected Items of Summarised Financial Information of the Expressway JVs—Construction Revenue” for more details.

Description of Selected Items of Summarised Financial Information of the Expressway JVs

For the description of selected items of “Toll revenue”, “Other income”, “Toll operation expenses”, “Administrative expenses”, “Depreciation and amortisation charges”, “Finance costs” and “Income tax expenses” of the Expressway JVs, see “*Financial Information—Results of Operations of Our Proportionate Share of the Expressway JVs on an Aggregate Basis—Description of Selected Items of Selected Financial Information on Our Proportionate Share of the Expressway JVs*” for more details.

Construction Revenue

Construction revenue and construction costs are recognised based on percentage of completion method. The Expressway JVs engaged contractors to perform construction and upgrading services for the expressways and did not earn any profit from these services. As a result, construction revenue approximated to construction costs during the Track Record Period in this regard and thus had no net effect on the Expressway JVs’ or the Group’s operating profit or profit during the Track Record Period.

The Hong Kong (IFRIC) Interpretation 12 provides two types of accounting treatment in relation to service concession arrangements, namely, the financial asset model and the intangible asset model. The financial asset model is applicable where a guaranteed revenue stream is to be derived from the service concession arrangement, which will give rise to the recognition of receivables and interest income on such receivables under the service concession arrangement. Where there is no guaranteed revenue stream to be derived from the service concession arrangement, which is the case with the Expressway JVs’ concession arrangements, only the intangible asset model is relevant.

The Group does not consider that, as a proportion of the Expressway JVs’ aggregate total revenue, their notional construction revenue is significant to the Expressway JVs’ financials as construction revenue was equal to construction costs during the relevant period, and thus had no net effect on the Expressway JVs’ or the Group’s operating profit or profit during the Track Record Period. In addition, the Expressway JVs did not engage in pre-operational projects and only engaged in post-operational projects during the Track Record Period. It is conceivable that if in the future the road expansion plans under consideration materialise, the notional construction revenue of the relevant Expressway JV may also increase. However, that amount will be offset by a corresponding increase in the construction cost and will have no net effect on the Expressway JVs’ or the Group’s operating profit or profit for the relevant period (both construction revenue and construction cost will be

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disclosed in the financial information of the Expressway JVs that is to be included in the notes to the Group's financial statements).

Construction Costs

Construction costs of the Expressway JVs primarily represent the notional costs in respect of the construction and upgrading services rendered by the Expressway JVs. Construction costs are recorded according to the Hong Kong (IFRIC) Interpretation 12, based on the percentage of completion of the work performed. However, construction costs do not affect our operating profit or profit because the same amount of construction revenue is recognised.

See “—Construction Revenue” for more details.

Profit/Loss and Total Comprehensive Income/Expenses

Profit/Loss and total comprehensive income/expenses of the Expressway JVs represent(s) the sum of their respective profit/loss and other comprehensive income/expenses.

Cash Distributions Received from Joint Ventures During the Year

Cash distributions received from joint ventures during the year represents the cash surplus from an Expressway JV to the Group based on the agreed profit/cash sharing ratio specified in the relevant Expressway JV Contract.

Baojin Expressway JV

2016 Compared with 2015

Toll Revenue

Baojin Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$22.5 million, or 2.9%, from HK\$772.3 million in 2015 to HK\$794.8 million in 2016, primarily due to an increase in average daily traffic flow primarily as a result of the economic growth in the region. For traffic growth and economic growth in the region, see “*Industry Overview*”.

Other Income

Baojin Expressway JV's other income remained relatively stable at HK\$6.3 million in 2016 as compared to HK\$6.0 million in 2015.

Toll Operation Expenses

Baojin Expressway JV's toll operation expenses decreased by HK\$27.4 million, or 20.8%, from HK\$131.7 million in 2015 to HK\$104.3 million in 2016, primarily due to a one-off routine road maintenance work performed on Baojin Expressway in 2015 related to its road surface and ancillary facilities. According to Baojin Expressway JV's accounting policies, while major repairing and upgrading work on Baojin Expressway is capitalised, routine repairing and maintenance work are accounted for as an expense.

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Administrative Expenses

Baojin Expressway JV's administrative expenses remained relatively stable at HK\$27.0 million in 2016 as compared to HK\$27.5 million in 2015.

Depreciation and Amortisation Charges

Baojin Expressway JV's depreciation and amortisation charges increased by HK\$1.5 million, or 1.1%, from HK\$142.0 million in 2015 to HK\$143.5 million in 2016, primarily due to increased amortisation of Baojin Expressway JV's operation rights as a result of the increased average daily traffic flow on Baojin Expressway in 2016.

Finance Costs

Baojin Expressway JV did not incur any finance costs in 2015 or 2016.

Income Tax Expenses

Baojin Expressway JV's income tax expenses increased by HK\$5.8 million, or 4.8% from HK\$121.6 million as of in 2015 to HK\$127.4 million in 2016, primarily due to the increase in Baojin Expressway JV's toll revenue in 2016. The effective income tax rate of Baojin Expressway JV decreased from 25.5% in 2015 to 24.2% in 2016, primarily due to the utilisation of excess tax provision made in 2015.

Profit and Total Comprehensive Income

As a result of the foregoing, Baojin Expressway JV's profit and total comprehensive income increased by HK\$43.3 million, or 12.2%, from HK\$355.5 million in 2015 to HK\$398.8 million in 2016.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Baojin Expressway JV to the Group increased by HK\$52.3 million, or 35.2% from HK\$148.6 million in 2015 to HK\$200.9 million in 2016, primarily to bring distributions closer to the 2014 distribution levels.

2015 Compared with 2014

Toll Revenue

Baojin Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$66.1 million, or 9.4%, from HK\$706.2 million in 2014 to HK\$772.3 million in 2015, primarily due to the increased average daily traffic flow mainly as a result of (i) the major repair work that took place on the connected Beijing-Shijiazhuang Expressway in 2014, which diverted some traffic away from Baojin Expressway; and (ii) the improved overall road conditions of the connected Beijing-Shijiazhuang Expressway after the major repair work was completed at the end of 2014, which attracted additional traffic flow to Baojin Expressway in 2015.

Other Income

Baojin Expressway JV's other income increased by HK\$0.7 million, or 13.2%, from HK\$5.3 million in 2014 to HK\$6.0 million in 2015, primarily due to an increase in its interest

SUPPLEMENTAL FINANCIAL INFORMATION

income related to the deposit of its toll receipts primarily as a result of higher average balances.

Toll Operation Expenses

Baojin Expressway JV's toll operation expenses increased by HK\$25.3 million, or 23.8%, from HK\$106.4 million in 2014 to HK\$131.7 million in 2015, primarily due to certain one-off routine road maintenance work performed on Baojin Expressway related to its road surface and ancillary facilities. According to Baojin Expressway JV's accounting policies, while major repairing and upgrading work on Baojin Expressway is capitalised, routine repairing and maintenance work are accounted for as an expense.

Administrative Expenses

Baojin Expressway JV's administrative expenses decreased by HK\$4.1 million, or 13.0%, from HK\$31.6 million in 2014 to HK\$27.5 million in 2015, primarily due to a decrease in the higher level of performance-based bonus to employees in 2015.

Depreciation and Amortisation Charges

Baojin Expressway JV's depreciation and amortisation charges increased by HK\$15.4 million, or 12.2%, from HK\$126.6 million in 2014 to HK\$142.0 million in 2015, primarily due to the increased amortisation of Baojin Expressway JV's operation rights as a result of the increased average daily traffic flow on Baojin Expressway in 2015.

Finance Costs

Baojin Expressway JV did not incur any finance costs in either 2014 or 2015.

Income Tax Expenses

Baojin Expressway JV's income tax expenses increased by HK\$11.1 million, or 10.0%, from HK\$110.5 million in 2014 to HK\$121.6 million in 2015, primarily in line with the increase in Baojin Expressway JV's toll revenue in 2015. The effective income tax rate of Baojin Expressway JV remained relatively stable at 25.5% in 2015 as compared to 24.7% in 2014.

Profit and Total Comprehensive Income

As a result of the foregoing, Baojin Expressway JV's profit and total comprehensive income increased by HK\$19.2 million, or 5.7%, from HK\$336.3 million in 2014 to HK\$355.5 million in 2015.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Baojin Expressway JV to the Group decreased by HK\$75.9 million, or 33.8% from HK\$224.5 million in 2014 to HK\$148.6 million in 2015, primarily due to increased distribution by Tangjin Expressway JV in 2015 which is held by the same joint venture partner.

SUPPLEMENTAL FINANCIAL INFORMATION

Tangjin Expressway JV

2016 Compared with 2015

Toll Revenue

Tangjin Expressway JV's toll revenue (net of business tax or value-added tax) decreased by HK\$56.2 million, or 8.4%, from HK\$668.4 million in 2015 to HK\$612.2 million in 2016, primarily due to (i) the fact that some of the traffic diverted from a nearby expressway generally travelled a longer distance which led to higher toll revenue in 2015 whereas the traffic flow normalised in 2016; and (ii) the new policy implemented by the PRC government in 2016 for stricter enforcement against overloaded trucks, resulting in a decrease in toll revenue generated from overloading surcharges. Such decrease was partially offset by an increase in the traffic volume of trucks.

Other Income

Tangjin Expressway JV's other income decreased by HK\$1.7 million, or 39.5%, from HK\$4.3 million in 2015 to HK\$2.6 million in 2016, primarily due to the tax rebate received in relation to the major maintenance and repair in 2015.

Toll Operation Expenses

Tangjin Expressway JV's toll operating expenses decreased by HK\$6.6 million, or 7.6%, from HK\$86.8 million in 2015 to HK\$80.2 million in 2016, primarily due to the one-off additional costs on greenery along the expressway in 2015 as part of the preparation for an inspection carried out by the state authorities every five years.

Administrative Expenses

Tangjin Expressway JV's administrative expenses remained relatively stable at HK\$32.1 million in 2016 as compared to HK\$32.0 million in 2015.

Depreciation and Amortisation Charges

Tangjin Expressway JV's depreciation and amortisation charges increased by HK\$32.6 million, or 21.8%, from HK\$149.2 million in 2015 to HK\$181.8 million in 2016, primarily due to the increased amortisation of Tangjin Expressway JV's operation rights as a result of the improved overall road condition after the completion of the road surface upgrade in 2015 and the increased average daily traffic flow on Tangjin Expressway in 2016.

Finance Costs

Tangjin Expressway JV did not incur any finance costs in 2015 or 2016.

Income Tax Expenses

Tangjin Expressway JV's income tax expenses decreased by HK\$20.3 million, or 19.9%, from HK\$101.8 million in 2015 to HK\$81.5 million in 2016, primarily due to the decrease in Tangjin Expressway JV's toll revenue in 2016. The effective income tax rate of Tangjin Expressway JV remained relatively stable at 25.4% in 2016 as compared to 25.1% in 2015.

SUPPLEMENTAL FINANCIAL INFORMATION

Profit and Total Comprehensive Income

As a result of the foregoing, Tangjin Expressway JV's profit and total comprehensive income decreased by HK\$63.7 million, or 21.0%, from HK\$302.9 million in 2015 to HK\$239.2 million in 2016.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Tangjin Expressway JV to the Group increased by HK\$31.7 million, or 30.9% from HK\$102.5 million in 2015 to HK\$134.2 million in 2016, primarily due to completion of intermediate road repair and settlement of the construction costs in 2015 and the increase in the Group's profit/cash sharing ratio from 30% to 45% in accordance with the terms of the Expressway JV Contract.

2015 Compared with 2014

Toll Revenue

Tangjin Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$70.0 million, or 11.7%, from HK\$598.4 million in 2014 to HK\$668.4 million in 2015, primarily due to the increased average daily traffic flow on Tangjin Expressway in 2015 as a result of the closure of a nearby competing expressway due to an accident that took place at Tianjin Port in August 2015, as well as the lower traffic flow on Tangjin Expressway in 2014 as a result of an intermediate road repair work that resulted in partial closure of the expressway.

Other Income

Tangjin Expressway JV's other income increased by HK\$3.8 million, or 760.0%, from HK\$0.5 million in 2014 to HK\$4.3 million in 2015, primarily due to (i) the tax rebate received in relation to the major maintenance and repair in 2015; and (ii) an increase in Tangjin Expressway JV's interest income in 2015 mainly as a result of an increase in average bank balances subsequent to the intermediate road repair in 2014.

Toll Operation Expenses

Tangjin Expressway JV's toll operation expenses increased by HK\$16.2 million, or 22.9%, from HK\$70.6 million in 2014 to HK\$86.8 million in 2015, primarily due to (i) the lowered routine maintenance costs in 2014 compared to 2015 mainly as a result of the intermediate road repair that took place in 2014, reducing the need for routine maintenance in that year. According to Tangjin Expressway JV's accounting policies, major repairing and upgrading work on Tangjin Expressway such as the intermediate road repair in 2014 (which upgraded the road surface of the expressway) is capitalised rather than expensed; (ii) an increase in the labour costs related to Tangjin Expressway mainly as a result of the increased salaries paid to its employees; and (iii) additional costs on greenery along the expressway in 2015 as part of the preparation for an inspection carried out by the state authorities every five years.

Administrative Expenses

Tangjin Expressway JV's administrative expenses decreased by HK\$0.7 million, or 2.1%, from HK\$32.7 million in 2014 to HK\$32.0 million in 2015, primarily due to higher salary

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and benefit expenses in 2014 mainly as a result of the employees' management of the intermediate road repair that took place in 2014.

Depreciation and Amortisation Charges

Tangjin Expressway JV's depreciation and amortisation charges increased by HK\$20.0 million, or 15.5%, from HK\$129.2 million in 2014 to HK\$149.2 million in 2015, primarily due to the increased amortisation of Tangjin Expressway JV's operation rights as a result of the increased average daily traffic flow on Tangjin Expressway in 2015.

Finance Costs

Tangjin Expressway JV did not incur any finance costs in both 2014 and 2015.

Income Tax Expenses

Tangjin Expressway JV's income tax expenses increased by HK\$6.9 million, or 7.3%, from HK\$94.9 million in 2014 to HK\$101.8 million in 2015, primarily in line with the increase in Tangjin Expressway JV's toll revenue in 2015. The effective income tax rate of Tangjin Expressway JV remained relatively stable at 25.1% in 2015 as compared to 25.9% in 2014.

Profit and Total Comprehensive Income

As a result of the foregoing, Tangjin Expressway JV's profit and total comprehensive income increased by HK\$31.4 million, or 11.6%, from HK\$271.5 million in 2014 to HK\$302.9 million in 2015.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Tangjin Expressway JV to the Group increased by HK\$54.8 million, or 114.9% from HK\$47.7 million in 2014 to HK\$102.5 million in 2015, primarily due to Tangjin Expressway having reserved cash in 2014 to fund construction costs for the intermediate road repairs.

Changyi Expressway JV

2016 Compared with 2015

Toll Revenue

Changyi Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$40.2 million, or 5.7%, from HK\$709.6 million in 2015 to HK\$749.8 million in 2016, primarily due to the increased average daily traffic flow on the expressway primarily as a result of the economic growth in the region. For traffic growth and economic growth in the region, see "Industry Overview".

Other Income

Changyi Expressway JV's other income decreased by HK\$0.9 million, or 20.9%, from HK\$4.3 million in 2015 to HK\$3.4 million in 2016, primarily due to the decrease in compensations received as a result of expressway accidents causing damage to expressway facilities.

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Toll Operation Expenses

Changyi Expressway JV's toll operating expenses decreased by HK\$10.3 million, or 10.4%, from HK\$99.1 million in 2015 to HK\$88.8 million in 2016, primarily due to the one-off maintenance costs in preparation for an inspection carried out by the state authorities every five years and associated with the replacement of a comprehensive monitoring system and the toll booth improvement work in 2015.

Administrative Expenses

Changyi Expressway JV's administrative expenses decreased by HK\$1.2 million, or 3.8%, from HK\$31.2 million in 2015 to HK\$30.0 million in 2016, primarily due to exchange differences arising out of the depreciation of the Renminbi against the Hong Kong dollar in 2016.

Depreciation and Amortisation Charges

Changyi Expressway JV's depreciation and amortisation charges decreased by HK\$12.5 million, or 6.1%, from HK\$204.3 million in 2015 to HK\$191.8 million in 2016, primarily due to certain infrastructure costs associated with the relocation of a toll plaza in 2009/2010 capitalised in the concession intangible assets having been fully amortised during 2016.

Finance Costs

Changyi Expressway JV's finance costs decreased by HK\$10.1 million, or 36.6%, from HK\$27.6 million in 2015 to HK\$17.5 million in 2016, primarily due to a decrease in interest rates as the lending rates set by the PBOC decreased during 2015 under the government's easing monetary policies and a decrease in the outstanding loan balance due to its partial loan repayment in 2016.

Income Tax Expenses

Changyi Expressway JV's income tax expenses increased by HK\$19.2 million, or 21.7%, from HK\$88.6 million in 2015 to HK\$107.8 million in 2016, primarily in line with the increase in Changyi Expressway JV's toll revenue in 2016. The effective income tax rate of Changyi Expressway JV remained relatively stable at 25.4% in 2016 as compared to 25.4% in 2015.

Profit and Total Comprehensive Income

As a result of the foregoing, Changyi Expressway JV's profit and total comprehensive income increased by HK\$54.1 million, or 20.6%, from HK\$263.2 million in 2015 to HK\$317.3 million in 2016.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Changyi Expressway JV to the Group in 2016 remained largely stable at HK\$168.6 million compared to HK\$164.6 million in 2015.

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2015 Compared with 2014

Toll Revenue

Changyi Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$56.7 million, or 8.7%, from HK\$652.9 million in 2014 to HK\$709.6 million in 2015, primarily due to the increased average daily traffic flow on the expressway primarily as a result of (i) the major repair work that took place on the connected Yiyang-Changde Expressway for five months in 2014, which diverted some traffic away from Changyi Expressway; and (ii) the economic growth in the region.

Other Income

Changyi Expressway JV's other income remained relatively stable at HK\$4.3 million in 2015 as compared to HK\$4.4 million in 2014.

Toll Operation Expenses

Changyi Expressway JV's toll operation expenses increased by HK\$13.2 million, or 15.4%, from HK\$85.9 million in 2014 to HK\$99.1 million in 2015, primarily due to an increase in maintenance costs primarily as a result of increased average daily traffic flow and the preparation for an inspection carried out by the state authorities every five years, and the costs associated with the replacement of a comprehensive monitoring system and the toll booth improvement work in 2015.

Administrative Expenses

Changyi Expressway JV's administrative expenses increased by HK\$4.8 million, or 18.2%, from HK\$26.4 million in 2014 to HK\$31.2 million in 2015, primarily due to (i) an increase in its employees' salary and benefit expenses mainly as a result of an increase in the employees' general wages; (ii) an increase in the settlement fees charged by the regional toll network settlement centre as a result of the increased toll receipts; and (iii) an increase in the land use tax as a result of the wider scope of the land use tax in 2015.

Depreciation and Amortisation Charges

Changyi Expressway JV's depreciation and amortisation charges increased by HK\$15.4 million, or 8.2%, from HK\$188.9 million in 2014 to HK\$204.3 million in 2015, primarily due to the increased amortisation of Changyi Expressway JV's operation rights as a result of the increased average daily traffic flow on Changyi Expressway in 2015.

Finance Costs

Changyi Expressway JV's finance costs decreased by HK\$12.5 million, or 31.2%, from HK\$40.1 million in 2014 to HK\$27.6 million in 2015, primarily due to a decrease in interest rates as the lending rates set by the PBOC decreased during 2015 under the government's easing monetary policies and a decrease in the outstanding loan balance due to its partial loan repayment in 2015.

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Income Tax Expenses

Changyi Expressway JV's income tax expenses increased by HK\$4.9 million, or 5.9%, from HK\$83.7 million in 2014 to HK\$88.6 million in 2015, primarily in line with the increase in Changyi Expressway JV's toll revenue in 2015. The effective income tax rate of Changyi Expressway JV decreased from 26.5% in 2014 to 25.2% in 2015, primarily due to the adjustment of non-deductible expenses for taxation purposes in 2015.

Profit and Total Comprehensive Income

As a result of the foregoing, Changyi Expressway JV's profit and total comprehensive income increased by HK\$30.9 million, or 13.3%, from HK\$232.3 million in 2014 to HK\$263.2 million in 2015.

Cash Distributions Received from Joint Ventures During the Year

The cash distribution from Changyi Expressway JV to the Group increased by HK\$23.6 million, or 16.7% from HK\$141.0 million in 2014 to HK\$164.6 million in 2015, primarily due to the increase in profit recorded by Changyi Expressway JV.

Longcheng Expressway JV

2016 Compared with 2015

Toll Revenue

Longcheng Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$74.6 million, or 30.8%, from HK\$242.0 million in 2015 to HK\$316.6 million in 2016, primarily due to the increased average daily traffic flow on the expressway primarily as a result of (i) the economic growth in the region; (ii) the government restrictions on the transit of medium to heavy trucks in the western sections of the outer-ring road of Jinzhong City in 2016 in addition to the same restrictions in the eastern and southern sections of the outer-ring road starting from 2015, which diverted more traffic to Longcheng Expressway; and (iii) the expressway being in its ramp-up stage. For traffic growth and economic growth in the region, see "Industry Overview".

Other Income

Longcheng Expressway JV's other income decreased by HK\$2.3 million, or 63.9%, from HK\$3.6 million in 2015 to HK\$1.3 million in 2016, primarily due to certain lease income being unrecognised as of 31 December 2016 as a result of a delay in payment from the tenant of a service station.

Toll Operation Expenses

Longcheng Expressway JV's toll operating expenses increased by HK\$4.1 million, or 8.4%, from HK\$48.6 million in 2015 to HK\$52.7 million in 2016, primarily due to the remaining maintenance and repair work done on Longcheng Expressway in 2016 due to flood damage in 2015.

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Administrative Expenses

Longcheng Expressway JV's toll administrative expenses increased by HK\$1.1 million, or 10.4%, from HK\$10.6 million in 2015 to HK\$11.7 million in 2016, primarily due to an increase in its employees' salary and benefit expenses mainly as a result of an increase in the employees' general wages.

Depreciation and Amortisation Charges

Longcheng Expressway JV's depreciation and amortisation charges increased by HK\$14.0 million, or 30.6%, from HK\$45.8 million in 2015 to HK\$59.8 million in 2016, primarily due to the increased amortisation of Longcheng Expressway JV's operation rights as a result of the increased average daily traffic flow on Longcheng Expressway in 2016.

Finance Costs

Longcheng Expressway JV's finance costs decreased by HK\$52.2 million, or 23.9%, from HK\$218.4 million in 2015 to HK\$166.2 million in 2016, primarily due to a decrease in interest rates as the lending rates set by the PBOC decreased during under the government's easing monetary policies and a decrease in the outstanding loan balance due to its partial loan repayment in 2016.

Income Tax Expenses

Longcheng Expressway JV's income tax expenses decreased by HK\$24.1 million, or 80.6%, from HK\$29.9 million in 2015 to HK\$5.8 million in 2016, primarily due to the recognition of deferred tax assets arising from tax losses starting from 2016 due to the improvement of Longcheng Expressway JV's financial performance.

Profit/Loss and Total Comprehensive Income/Expenses

As a result of foregoing, Longcheng Expressway JV's profit and total comprehensive income for 2016 was HK\$21.8 million as compared to a loss and total comprehensive expenses of HK\$107.7 million in 2015.

Cash Distributions Received from Joint Ventures During the Year

The Group did not receive any cash distribution from Longcheng Expressway JV in 2015 or 2016.

2015 Compared with 2014

Toll Revenue

Longcheng Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$34.6 million, or 16.7%, from HK\$207.4 million in 2014 to HK\$242.0 million in 2015, primarily due to (i) the government restrictions on the transit of medium to heavy trucks in the eastern and southern sections of the outer-ring road of Jinzhong City implemented gradually during 2015 that diverted the traffic to Longcheng Expressway and that also led trucks to travel for a longer distance on the expressway; and (ii) the expressway being in its ramp-up stage.

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Other Income

Longcheng Expressway JV's other income decreased by HK\$2.6 million, or 41.9%, from HK\$6.2 million in 2014 to HK\$3.6 million in 2015, primarily due to a decrease in income from Longcheng Expressway's advertising services.

Toll Operation Expenses

Longcheng Expressway JV's toll operation expenses increased by HK\$18.9 million, or 63.6%, from HK\$29.7 million in 2014 to HK\$48.6 million in 2015, primarily due to (i) increased routine maintenance costs as a result of the preparation for an inspection carried out by the state authorities every five years, (ii) certain one-off maintenance and repair work done on Longcheng Expressway due to flood damage in 2015, as well as a compensation made in relation to the flood damage.

Administrative Expenses

Longcheng Expressway JV's administrative expenses decreased by HK\$3.1 million, or 22.6%, from HK\$13.7 million in 2014 to HK\$10.6 million in 2015, primarily due to a decrease in the tax payments related to land use rights made in 2014 for the years of 2013 and 2014 and savings on various other expense items amounting to approximately RMB1.0 million in 2015.

Depreciation and Amortisation Charges

Longcheng Expressway JV's depreciation and amortisation charges remained relatively stable at HK\$45.8 million in 2015, as compared to HK\$45.4 million in 2014.

Finance Costs

Longcheng Expressway JV's finance costs decreased by HK\$20.9 million, or 8.7%, from HK\$239.3 million in 2014 to HK\$218.4 million in 2015, primarily due to a decrease in interest rates as the lending rates set by the PBOC decreased during 2015 under the government's easing monetary policies and a decrease in the outstanding loan balance due to its partial loan repayment in 2015.

Income Tax Expenses

Longcheng Expressway JV's income tax expenses decreased by HK\$1.3 million, or 4.2%, from HK\$31.2 million in 2014 to HK\$29.9 million in 2015, primarily due to the utilisation of deferred tax liabilities provided for the differences between straight line method used by Longcheng Expressway JV and usage method used by the Group in calculating the amortisation of concession intangible assets. The income tax expenses incurred by Longcheng Expressway JV represents such accounting difference, whereas Longcheng Expressway JV did not pay any corporate income tax expense in either 2014 or 2015, pursuant to a three-year 100% corporate income tax waiver effective from 2012 to 2014 and an operating loss in 2015.

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Loss and Total Comprehensive Expenses

As a result of the foregoing, Longcheng Expressway JV's loss and total comprehensive expenses decreased by HK\$38.0 million, or 26.1%, from HK\$145.7 million in 2014 to HK\$107.7 million in 2015.

Cash Distributions Received from Joint Ventures During the Year

The Group did not receive any cash distribution from Longcheng Expressway JV in 2014 or 2015.

Machao Expressway JV

2016 Compared with 2015

Toll Revenue

Machao Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$33.3 million, or 17.8%, from HK\$186.9 million in 2015 to HK\$220.2 million in 2016, primarily due to the increased average daily traffic flow on Machao Expressway in 2016 as a result of (i) the economic growth in the region; and (ii) the expressway being in its ramp-up stage. For traffic growth and economic growth in the region, see "*Industry Overview*".

Other Income

Machao Expressway JV's other income decreased by HK\$3.3 million, or 71.7%, from HK\$4.6 million in 2015 to HK\$1.3 million in 2016, primarily due to the change in the lease arrangement of the petrol station at the service plaza on Machao Expressway.

Toll Operation Expenses

Machao Expressway JV's toll operation expenses increased by HK\$8.1 million, or 79.4%, from HK\$10.2 million in 2015 to HK\$18.3 million in 2016, primarily due to certain one-off maintenance and repair work done on Machao Expressway due to flood damage in 2016.

Administrative Expenses

Machao Expressway JV's administrative expenses increased by HK\$1.1 million, or 13.3%, from HK\$8.3 million in 2015 to HK\$9.4 million in 2016, primarily due to an increase in its employees' salary and benefit expenses mainly as a result of an increase in the employees' general wages and certain land use tax payment.

Depreciation and Amortisation Charges

Machao Expressway JV's depreciation and amortisation charges increased by HK\$17.5 million, or 50.4%, from HK\$34.7 million in 2015 to HK\$52.2 million in 2016, primarily due to the increased amortisation of Machao Expressway JV's operation rights as a result of the increased average daily traffic flow on Machao Expressway in 2016.

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Finance Costs

Machao Expressway JV's finance costs decreased by HK\$23.9 million, or 18.6%, from HK\$128.8 million in 2015 to HK\$104.9 million in 2016, primarily due to a decrease in interest rates as the lending rates set by the PBOC decreased during 2015 under the government's easing monetary policies and a decrease in the outstanding loan balance due to its partial loan repayment in 2016.

Income Tax Expenses

Pursuant to a three-year 100% corporate income tax waiver effective from 2013 to 2015, it did not incur any income tax expense in 2015. In 2016, Machao Expressway JV did not have any income tax expense as it utilised the taxation loss from previous years.

Profit and Total Comprehensive Income

As a result of the foregoing, Machao Expressway JV's profit and total comprehensive income increased by HK\$27.4 million, or 288.4%, from HK\$9.5 million in 2015 to HK\$36.9 million in 2016.

Cash Distributions Received from Joint Ventures During the Year

The Group did not receive any cash distribution from Machao Expressway JV in 2015 or 2016.

2015 Compared with 2014

As the Group only completed the acquisition of its interest in the Machao Expressway JV in June 2014, Machao Expressway JV's operational results for 2014 only represented the operational results of seven months as compared to that of a full year in 2015. As a result, the results of operations of Machao Expressway for the year 2014 may not be comparable to that of 2015.

Toll Revenue

Machao Expressway JV's toll revenue (net of business tax or value-added tax) increased by HK\$97.2 million, or 108.4%, from HK\$89.7 million in 2014 to HK\$186.9 million in 2015, primarily because as the Group completed the acquisition of its interest in Machao Expressway JV in June 2014, Machao Expressway JV's operational results for 2014 only represented seven months of the expressway's toll revenue as compared to full year of toll revenue in 2015. The increase was also due to the increased average daily traffic flow on Machao Expressway in 2015 as a result of the economic growth in the region and the expressway being in its ramp-up stage.

Other Income

Machao Expressway JV's other income increased by HK\$3.3 million, or 253.8%, from HK\$1.3 million in 2014 to HK\$4.6 million in 2015, primarily due to an increase in the rental income received from the service station in Machao mainly as a result of having 12 months' leasing period in 2015 as compared to seven months in 2014 as the Group only completed

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the acquisition of its interest in Machao Expressway JV in June 2014, as well as the increased income from the service station as a result of the increased average daily traffic flow. The increase was also due to the tax rebate received by Machao Expressway JV in 2015 for paying tax to the local tax authorities on behalf of the contractors.

Toll Operation Expenses

Machao Expressway JV's toll operation expenses increased by HK\$6.3 million, or 161.5%, from HK\$3.9 million in 2014 to HK\$10.2 million in 2015. This increase was also due to certain one-off road maintenance work performed on Machao Expressway.

Administrative Expenses

Machao Expressway JV's administrative expenses increased by HK\$4.7 million, or 130.6%, from HK\$3.6 million in 2014 to HK\$8.3 million in 2015, primarily due to a longer operating period in 2015 as compared to 2014 as the Group only completed the acquisition of its interest in Machao Expressway JV in June 2014. The increase was also due to an increase in the general wages of the Expressway JV's administrative personnel in 2015.

Depreciation and Amortisation Charges

Machao Expressway JV's depreciation and amortisation charges increased by HK\$16.6 million, or 91.7%, from HK\$18.1 million in 2014 to HK\$34.7 million in 2015, primarily due to a longer operating period in 2015 as compared to 2014 as the Group only completed the acquisition of its interest in Machao Expressway JV in June 2014. The increase was also due to the increased amortisation of Machao Expressway JV's operation rights as a result of the increased average daily traffic flow on Machao Expressway in 2015.

Finance Costs

Machao Expressway JV's finance costs increased by HK\$39.3 million, or 43.9%, from HK\$89.5 million in 2014 to HK\$128.8 million in 2015. This increase was mainly as a result of having a longer interest-bearing period in 2015 as compared to 2014 as the Group only completed the acquisition of its interest in Machao Expressway JV in June 2014, offset by a decrease in interest rates as the benchmark lending rates set by the PBOC decreased during 2015 under the government's easing monetary policies.

Income Tax Expenses

As Machao Expressway JV had a loss in 2014, and pursuant to a three-year 100% corporate income tax waiver effective from 2014 to 2016, it did not incur any income tax expense in either 2014 or 2015.

Profit/Loss and Total Comprehensive Income/Expenses

As a result of the foregoing, Machao Expressway JV's profit and total comprehensive income in 2015 was HK\$9.5 million, as compared to a loss and total comprehensive expenses of HK\$24.2 million in 2014.

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Cash Distributions Received from Joint Ventures During the Year

The Group did not receive any cash distribution from Machao Expressway JV in 2014 or 2015.

SELECTED ITEMS OF SUMMARISED FINANCIAL INFORMATION OF THE EXPRESSWAY JVS

The selected financial information set out below has been extracted from each Expressway JV's summarised financial information as of or for the years ended 31 December 2014, 2015 and 2016. The information is set forth in note 16 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. The financial information below represents amounts shown in the Expressway JVs' financial statements prepared in accordance with HKFRSs. We present the information because these are some of the measures reported to our chief operating decision maker for the purposes of resource allocation and performance assessment. Similarly, we believe that this information provides investors with a more complete representation of the overall results of the individual Expressway JVs that will help investors to make an informed assessment of the overall financial information of the Expressway JVs.

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Summarised Financial Information of the Expressway JVs

	At 31 December 2014					Total HK\$'000
	Baojin Expressway JV HK\$'000	Tangjin Expressway JV HK\$'000	Changyi Expressway JV HK\$'000	Longcheng Expressway JV HK\$'000	Machao Expressway JV HK\$'000	
Non-current Assets						
Property and equipment	162,505	146,355	41,474	12,389	177,751	540,474
Concession intangible assets	<u>2,492,403</u>	<u>1,379,630</u>	<u>1,726,822</u>	<u>5,351,411</u>	<u>3,152,677</u>	<u>14,102,943</u>
	<u>2,654,908</u>	<u>1,525,985</u>	<u>1,768,296</u>	<u>5,363,800</u>	<u>3,330,428</u>	<u>14,643,417</u>
Current Assets						
Bank balances and cash	162,761	120,186	131,360	354,800	21,270	790,377
Amounts due from joint venture partners	—	154,862	—	—	—	154,862
Others	<u>21,957</u>	<u>99,732</u>	<u>65,241</u>	<u>14,247</u>	<u>22,036</u>	<u>223,213</u>
	<u>184,718</u>	<u>374,780</u>	<u>196,601</u>	<u>369,047</u>	<u>43,306</u>	<u>1,168,452</u>
Current Liabilities						
Loans from joint venture partners	—	—	51,624	196,701	38,071	286,396
Bank borrowings	—	—	51,624	177,665	126,904	356,193
Others	<u>94,222</u>	<u>72,958</u>	<u>85,932</u>	<u>284,492</u>	<u>216,058</u>	<u>753,662</u>
	<u>94,222</u>	<u>72,958</u>	<u>189,180</u>	<u>658,858</u>	<u>381,033</u>	<u>1,396,251</u>
Net Current Assets (Liabilities)	<u>90,496</u>	<u>301,822</u>	<u>7,421</u>	<u>(289,811)</u>	<u>(337,727)</u>	<u>(227,799)</u>
Total Assets less Current Liabilities ...	<u>2,745,404</u>	<u>1,827,807</u>	<u>1,775,717</u>	<u>5,073,989</u>	<u>2,992,701</u>	<u>14,415,618</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	206,460	—	1,890,875	2,097,335
Bank borrowings	—	—	206,460	3,362,944	—	3,569,404
Deferred taxation	<u>263,073</u>	<u>34,783</u>	<u>180,148</u>	<u>80,423</u>	<u>—</u>	<u>558,427</u>
	<u>263,073</u>	<u>34,783</u>	<u>593,068</u>	<u>3,443,367</u>	<u>1,890,875</u>	<u>6,225,166</u>
Net Assets of Joint Ventures	<u>2,482,331</u>	<u>1,793,024</u>	<u>1,182,649</u>	<u>1,630,622</u>	<u>1,101,826</u>	<u>8,190,452</u>
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	992,932	806,861	510,550	733,780	539,895	3,584,018
Other adjustment ⁽¹⁾	<u>54,523</u>	<u>(28,969)</u>	<u>930</u>	<u>—</u>	<u>—</u>	<u>26,484</u>
Carrying amount of the Group's interests in joint ventures	<u>1,047,455</u>	<u>777,892</u>	<u>511,480</u>	<u>733,780</u>	<u>539,895</u>	<u>3,610,502</u>

Note:

(1) Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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	At 31 December 2015					
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current Assets						
Property and equipment	134,033	145,725	43,544	11,400	162,130	496,832
Concession intangible assets	2,331,878	1,304,765	1,467,304	5,145,119	3,036,306	13,285,372
	<u>2,465,911</u>	<u>1,450,490</u>	<u>1,510,848</u>	<u>5,156,519</u>	<u>3,198,436</u>	<u>13,782,204</u>
Current Assets						
Time deposit	—	—	48,780	—	—	48,780
Bank balances and cash	247,414	296,002	82,208	130,584	48,366	804,574
Others	15,640	86,787	49,845	46,124	11,713	210,109
	<u>263,054</u>	<u>382,789</u>	<u>180,833</u>	<u>176,708</u>	<u>60,079</u>	<u>1,063,463</u>
Current Liabilities						
Loans from joint venture partners	—	—	49,610	189,024	—	238,634
Bank borrowings	—	—	49,610	24,390	16,220	90,220
Others	102,954	121,282	76,995	185,488	100,458	587,177
	<u>102,954</u>	<u>121,282</u>	<u>176,215</u>	<u>398,902</u>	<u>116,678</u>	<u>916,031</u>
Net Current Assets (Liabilities)	<u>160,100</u>	<u>261,507</u>	<u>4,618</u>	<u>(222,194)</u>	<u>(56,599)</u>	<u>147,432</u>
Total Assets less Current Liabilities ...	<u>2,626,011</u>	<u>1,711,997</u>	<u>1,515,466</u>	<u>4,934,325</u>	<u>3,141,837</u>	<u>13,929,636</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	148,793	—	—	148,793
Bank borrowings	—	—	148,792	3,365,854	2,073,780	5,588,426
Deferred taxation	266,549	36,098	166,872	107,207	—	576,726
	<u>266,549</u>	<u>36,098</u>	<u>464,457</u>	<u>3,473,061</u>	<u>2,073,780</u>	<u>6,313,945</u>
Net Assets of Joint Ventures	<u>2,359,462</u>	<u>1,675,899</u>	<u>1,051,009</u>	<u>1,461,264</u>	<u>1,068,057</u>	<u>7,615,691</u>
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	943,785	754,155	453,720	657,569	523,348	3,332,577
Other adjustment ⁽¹⁾	52,906	(37,606)	4,609	—	—	19,909
Carrying amount of the Group's interests in joint ventures	<u>996,691</u>	<u>716,549</u>	<u>458,329</u>	<u>657,569</u>	<u>523,348</u>	<u>3,352,486</u>

Note:

- (1) Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

SUPPLEMENTAL FINANCIAL INFORMATION

	At 31 December 2016					Total HK\$'000
	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Non-current Assets						
Property and equipment	105,725	115,059	39,452	10,156	133,931	404,323
Concession intangible assets	2,082,220	1,075,102	1,192,286	4,777,834	2,816,204	11,943,646
	<u>2,187,945</u>	<u>1,190,161</u>	<u>1,231,738</u>	<u>4,787,990</u>	<u>2,950,135</u>	<u>12,347,969</u>
Current Assets						
Time deposit	—	—	45,558	—	—	45,558
Bank balances and cash	240,923	359,971	109,215	161,587	65,761	937,457
Others	14,241	16,905	48,129	46,093	1,701	127,069
	<u>255,164</u>	<u>376,876</u>	<u>202,902</u>	<u>207,680</u>	<u>67,462</u>	<u>1,110,084</u>
Current Liabilities						
Loans from joint venture partners	—	—	46,332	176,538	—	222,870
Bank borrowings	—	—	46,332	45,558	18,793	110,683
Others	101,507	100,776	77,904	184,873	76,639	541,699
	<u>101,507</u>	<u>100,776</u>	<u>170,568</u>	<u>406,969</u>	<u>95,432</u>	<u>875,252</u>
Net Current Assets (Liabilities)	<u>153,657</u>	<u>276,100</u>	<u>32,334</u>	<u>(199,289)</u>	<u>(27,970)</u>	<u>234,832</u>
Total Assets less Current Liabilities ...	<u>2,341,602</u>	<u>1,466,261</u>	<u>1,264,072</u>	<u>4,588,701</u>	<u>2,922,165</u>	<u>12,582,801</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	92,631	—	—	92,631
Bank borrowings	—	—	92,631	3,097,950	1,889,521	5,080,102
Deferred taxation	260,464	35,138	147,773	105,624	—	548,999
	<u>260,464</u>	<u>35,138</u>	<u>333,035</u>	<u>3,203,574</u>	<u>1,889,521</u>	<u>5,721,732</u>
Net Assets of Joint Ventures	<u>2,081,138</u>	<u>1,431,123</u>	<u>931,037</u>	<u>1,385,127</u>	<u>1,032,644</u>	<u>6,861,069</u>
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	832,455	644,005	401,929	623,307	505,995	3,007,691
Additional investment cost paid by the Group	—	—	—	—	164,428	164,428
Other adjustment ⁽¹⁾	49,889	(10,353)	12,535	—	—	52,071
Carrying amount of the Group's interests in joint ventures	<u>882,344</u>	<u>633,652</u>	<u>414,464</u>	<u>623,307</u>	<u>670,423</u>	<u>3,224,190</u>

Note:

- (1) Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

SUPPLEMENTAL FINANCIAL INFORMATION

Description of Selected Items of Summarised Financial Information of the Expressway JVs

Assets

Concession Intangible Assets

The Expressway JVs' concession intangible assets primarily represent the right of the Expressway JVs to operate the expressways. Pursuant to the relevant Expressway JV Contract terms, all of the Expressway JVs possess the right to operate the relevant expressways during the Expressway JV concession period. Other than Tangjin Expressway whose entire concession period is 18 years, all other Expressway JVs have entire concession periods that are between 27 years to 30 years. The Expressway JVs calculate amortisation of their operation rights based on the ratio of the actual traffic volume for a particular year to the projected total traffic volume throughout the concession period of the respective expressways. In line with the relevant regulation, at the end of the concession period, the expressways and their operating rights revert to the relevant Expressway JV Partners or the relevant government transport authority at nil consideration.

Liabilities

Long-term and short-term debts

The Expressway JVs' long-term and short-term debts represent their current and non-current bank borrowings as well as their current and non-current loans from their respective Expressway JV Partners and/or us. For a discussion of the Expressway JVs' long-term and short-term debts, see "*Financial Information—Indebtedness—Indebtedness of the Expressway JVs*".

Baojin Expressway JV

Concession Intangible Assets

Baojin Expressway JV's concession intangible assets decreased by HK\$160.5 million, or 6.4%, from HK\$2,492.4 million as of 31 December 2014 to HK\$2,331.9 million as of 31 December 2015, and further decreased by HK\$249.7 million, or 10.7%, to HK\$2,082.2 million as of 31 December 2016. The decreases were primarily due to the amortisation of Baojin Expressway JV's expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015 and 2016. Increased amortisation of Baojin Expressway JV's expressway operation right in 2016 was due to the increased average daily traffic flow.

Bank Balances and Cash

Baojin Expressway JV's bank balances and cash increased by HK\$84.6 million, or 52.0%, from HK\$162.8 million as of 31 December 2014 to HK\$247.4 million as of 31 December 2015, primarily due to increased toll receipts in 2015 mainly as a result of increased average daily traffic flow. Its bank balances and cash remained relatively stable at HK\$247.4 million as of 31 December 2015 as compared to HK\$240.9 million as of 31 December 2016.

SUPPLEMENTAL FINANCIAL INFORMATION

Tangjin Expressway JV

Concession Intangible Assets

Tangjin Expressway JV's concession intangible assets decreased by HK\$74.8 million, or 5.4%, from HK\$1,379.6 million as of 31 December 2014 to HK\$1,304.8 million as of 31 December 2015, primarily due to the amortisation of its expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015. Its concession intangible assets decreased by HK\$229.7 million, or 17.6%, from HK\$1,304.8 million as of 31 December 2015 to HK\$1,075.1 million as of 31 December 2016, primarily due to amortisation of Tangjin Expressway JV's expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016. Increased amortisation of Tangjin Expressway JV's expressway operation right in 2016 was due to the completion of road surface upgrade in 2015 and the increased average daily traffic flow on Tangjin Expressway in 2016.

Bank Balances and Cash

Tangjin Expressway JV's bank balances and cash increased by HK\$175.8 million, or 146.3%, from HK\$120.2 million as of 31 December 2014 to HK\$296.0 million as of 31 December 2015, due to the increased cash flow requirement mainly as a result of the intermediate road repair carried out by Tangjin Expressway JV in 2014. Its bank balances and cash increased by HK\$64.0 million, or 21.6%, from HK\$296.0 million as of 31 December 2015 to HK\$360.0 million as of 31 December 2016, primarily due to reduced cash flow requirements after the completion of intermediate repair in 2014 and the retention of cash to be distributed in 2016.

Changyi Expressway JV

Concession Intangible Assets

Changyi Expressway JV's concession intangible assets decreased by HK\$259.5 million, or 15.0%, from HK\$1,726.8 million as of 31 December 2014 to HK\$1,467.3 million as of 31 December 2015, due to the amortisation of its expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015. Its concession intangible assets decreased by HK\$275.0 million, or 18.7%, from HK\$1,467.3 million as of 31 December 2015 to HK\$1,192.3 million as of 31 December 2016, primarily due to the amortisation of its expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016. This was partially offset by a reduction in amortisation costs due to certain infrastructure costs associated with the relocation of a toll plaza in 2009/2010 capitalised in the concession intangible assets having been fully amortised during 2016.

Bank Balances, Cash and Time Deposit

Changyi Expressway JV's bank balances, cash and time deposit remained relatively stable at HK\$131.0 million as of 31 December 2015 as compared to HK\$131.4 million as of 31 December 2014. Its bank balances, cash and time deposit increased by HK\$23.8 million, or 18.2%, from HK\$131.0 million as of 31 December 2015 to HK\$154.8 million as of

SUPPLEMENTAL FINANCIAL INFORMATION

31 December 2016, primarily due to increased toll receipts in 2016 mainly as a result of the increased average daily traffic flow.

Longcheng Expressway JV

Concession Intangible Assets

Longcheng Expressway JV's concession intangible assets decreased by HK\$206.3 million, or 3.9%, from HK\$5,351.4 million as of 31 December 2014 to HK\$5,145.1 million as of 31 December 2015, due to the amortisation of its expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015. Its concession intangible assets decreased by HK\$367.3 million, or 7.1%, from HK\$5,145.1 million as of 31 December 2015 to HK\$4,777.8 million as of 31 December 2016, primarily due to the amortisation of its expressway operation right as well as exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016. Increased amortisation of Longcheng Expressway JV's expressway operation right in 2016 was due to the increased average daily traffic flow on Longcheng Expressway in 2016.

Bank Balances and Cash

Longcheng Expressway JV's bank balances and cash decreased by HK\$224.2 million, or 63.2%, from HK\$354.8 million as of 31 December 2014 to HK\$130.6 million as of 31 December 2015, primarily due to our settlement of the outstanding construction payables in 2015. Its bank balances and cash increased by HK\$31.0 million, or 23.7%, from HK\$130.6 million as of 31 December 2015 to HK\$161.6 million as of 31 December 2016, primarily due to increased toll receipts in 2016 mainly as a result of increased average daily traffic flow.

Machao Expressway JV

Concession Intangible Assets

Machao Expressway JV's concession intangible assets decreased by HK\$116.4 million, or 3.7%, from HK\$3,152.7 million as of 31 December 2014 to HK\$3,036.3 million as of 31 December 2015, primarily due to exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2015 as well as amortisation of its expressway operation right. Its concession intangible assets decreased by HK\$220.1 million, or 7.2%, from HK\$3,036.3 million as of 31 December 2015 to HK\$2,816.2 million as of 31 December 2016, primarily due to exchange differences as a result of the depreciation of the Renminbi against the Hong Kong dollar in 2016 as well as the amortisation of Machao Expressway JV's expressway operation right. Increased amortisation of Machao Expressway JV's expressway operation right in 2016 was due to increased average daily traffic flow on Machao Expressway in 2016.

Bank Balances and Cash

Machao Expressway JV's bank balances and cash increased by HK\$27.1 million, or 127.2%, from HK\$21.3 million as of 31 December 2014 to HK\$48.4 million as of 31 December 2015, and further increased by HK\$17.4 million, or 36.0%, to HK\$65.8 million as of 31 December 2016. The increases were primarily due to the increased toll receipts in 2015 and 2016 mainly as a result of increased average daily traffic flow during the period.

DISTRIBUTIONS

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out in this section. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Joint Sponsors, the Group or any of the Relevant Persons or that these results will be achieved or are likely to be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this prospectus. See “Forward-looking Statements” and “Risk Factors” for more details.

None of the Joint Sponsors, the Group or any of the Relevant Persons guarantees the performance of the Group, the payment of any distributions or any particular return on the Shares.

OVERVIEW

The objective of the Group is to provide Shareholders with stable distributions as well as the potential for the sustainable long-term growth of such distributions.

The Company will rely on the receipts of cash distributions from the Expressway JVs to make distributions to the Shareholders. The amount of such cash distributions and other payments which may be made by the Expressway JVs to the Group will depend on a number of factors, including, among other things, the business, financial condition, results of operations and cash flows of the Expressway JVs. There is no assurance that the Company will be able to pay or maintain distributions to the Shareholders and such distributions may not be stable. See “Risk Factors—Risks Relating to the Amount and Stability of the Distributions—The Company may not be able to pay or maintain distributions to Shareholders and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Expressway JVs, the cash distributions received by the Group from the Expressway JVs, and the cash flows available for distribution of the Group” for more details.

DISTRIBUTION POLICY

No distributions have been made in respect of the Shares since the completion of the Reorganisation.

Group Distributable Income

As reflected in a resolution of the Board passed on 19 June 2017, being the date of adoption of the Bye-laws, it is the current intention of the Board to declare and distribute interim and final dividends aggregating not less than 90% of the Group Distributable Income (as defined below) in respect of each financial year.

The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Board in its discretion; and the amount of the interim distribution need not be proportionate to the

DISTRIBUTIONS

Group Distribution Income (as defined below) in respect of the first six months of the relevant financial year (or other period in respect of the distribution is made) or proportionate to the Group Distribution Income (as defined below) in respect of relevant financial year.

“Group Distributable Income” means the audited consolidated profit before taxation attributable to the Company for the relevant financial year or the relevant distribution period (as the case may be) after:

- (a) eliminating the effects of the Adjustments for that financial year or period;
- (b) adding the Group’s share of depreciation and amortisation charges of its joint ventures (to the extent distributions may be made by the joint ventures under applicable laws in connection with any reduction of profits as a result of those charges);
- (c) deducting the actual amount of taxes paid for that financial year or period;
- (d) deducting profit attributable to non-controlling interests in that financial year or period;
- (e) deducting an amount equal to any amounts paid and the Group’s share of such amounts paid by its joint ventures for property, plant and equipment or any interest and other expenses that have been capitalised in that financial year or period;
- (f) making adjustments in connection with the external debt obligations of the Group and the Group’s share of external debt obligations of its joint ventures (other than shareholders loans due to the Group), including any planned refinancing or incremental debt financing, by (i) adding any net cash inflow or deducting any net cash outflow, in each case from financing activities for the relevant financial year or period and (ii) deducting amounts to be set aside for the purpose of repayment of principal amounts borrowed and/or compliance with any debt covenants and the estimated amount of interest and financing costs payable (net of estimated amounts of interest receivable);
- (g) at the discretion of the Board, deducting a sum equal to the aggregate of any amounts to be set aside for (i) the working capital requirements of the Group and its joint ventures; and (ii) for capital expenditure of the Group and its joint ventures, including any budget for acquisition of, or further investment in, new projects, whether such amounts are to be advanced or paid by capital injection by the Group into the joint ventures (net of expected repayments); and
- (h) in relation to any divestment of interests in toll roads recognised in that financial year or period, eliminating any profits or losses recognised as a result of such divestments but adding proceeds from such divestments, net of expenses.

“Adjustments” refer to adjustments of certain items which are charged or credited to the consolidated statement of profit or loss of the Group for the relevant financial year or the relevant distribution period (as the case may be), being:

- (a) unrealised revaluation gains;
- (b) impairment of goodwill/recognition of negative goodwill;

DISTRIBUTIONS

- (c) material non-cash gains/losses; and
- (d) depreciation and amortisation.

Subject to compliance with all applicable laws of Bermuda, the Bye-laws and the availability of distributable reserves, the Board may declare and distribute such additional amounts as the Board in their discretion determines.

The above distribution policy is a statement of the current intention of the Board only. It is not a legally binding obligation of the Board, the Company, the Directors, the Group, the Expressway JVs or Joint Sponsors and is subject to change.

The Company may declare and make distributions out of the Group's available funds and not only out of accounting profits. The Group's subsidiaries may upstream amounts to the Group, by a combination of distributions from distributable reserves of the relevant subsidiaries and inter-Group loans, to fund distributions by the Company.

The Group may make distributions out of the Group's distributable reserves, subject to a solvency test and the provisions of the Bye-laws.

As of 31 December 2016, the Company had no distributable reserves as the Reorganisation had not then been completed.

Payment of Distributions

The form, frequency and amount of future distributions (if any) will depend on the business, financial condition and results of operations of the Group and the expressway joint ventures that the Group is interested in, the distribution ratios of the Group as set out in the joint venture contracts for the expressway joint ventures that the Group is interested in, provisions of applicable laws and regulations and many other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice. If the distribution policy were to be changed in the future, the Group will issue an announcement describing the relevant change.

The ability of the Company to make distributions is therefore dependent upon, among other things, the financial performance of the Expressway JVs, the cash distributions received by the Group from the Expressway JVs, and the cash flows available for distribution of the Group. See "*Risk Factors—Risks Relating to the Amount and Stability of the Distributions—The Company may not be able to pay or maintain distributions to Shareholders and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Expressway JVs, the cash distributions received by the Group from the Expressway JVs, and the cash flows available for distribution of the Group*" for more details.

It is the current intention of the Board that the Group will declare and make distributions in the form of interim and final dividends aggregating not less than 90% of the

DISTRIBUTIONS

Group Distributable Income in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution will be determined by the Board in its discretion and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant financial year (or other period in respect of which the distribution is made) or proportionate to the Group Distributable Income in respect of the relevant financial year.

The Company intends to make distributions to the Registered Shareholders on a semi-annual basis (save that only one distribution will be made in respect of the period from the Listing Date to 31 December 2017), and the first distribution following Listing is expected to be paid by the Group no later than 30 June 2018 after the announcement of the results of the Group for the year ending 31 December 2017.

Distributions will be declared in Hong Kong dollars.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For details of discussions on our future plans, see “*Business—Strengths and Strategies—Strategies*”.

USE OF PROCEEDS

Assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), we estimate that we will receive net proceeds of approximately HK\$1,391.1 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering, and (ii) the underwriting commissions and other estimated expenses (excluding the discretionary incentive fee) in connection with the Global Offering payable by the Company. The Selling Shareholder will be responsible for the underwriting commissions payable by the Selling Shareholder and any applicable stamp duty in connection with the sale of the Sale Shares in the Global Offering.

In line with our business strategies, we intend to use our net proceeds from the Global Offering for the purposes and in the amounts set out below:

- HK\$1,252.0 million, representing approximately 90% of the total net proceeds from the Global Offering, will be used to acquire new expressway projects and planned expansion of existing expressway projects in a 60:40 ratio (HK\$751.2 million for acquisition and HK\$500.8 million for expansion). We will focus on acquiring expressway projects in China, where we believe expressways may become more attractive due to the increased traffic flow as a result of the “One Belt, One Road” initiative. We will also look into opportunities in other developing countries in South East Asia that will benefit from the “One Belt, One Road” initiative. As at the Latest Practicable Date, we have not identified the projects that we intend to acquire. See “*Business—Our Operating Plan—Project selection criteria and evaluation process*” and “*The Expressway Projects—Recent Developments*” for more details.
- HK\$139.1 million, representing approximately 10% of the total net proceeds from the Global Offering, will be used to fund our working capital and for general corporate purposes.

In the event the net proceeds to be used to acquire new expressway projects and planned expansions of existing expressway projects as described above are still not deployed by the time of our first distribution following Listing, unused net proceeds of between HK\$270.0 million and HK\$370.0 million may be used to fund our first distribution following Listing to Shareholders. This distribution is expected to be paid by the Group no later than 30 June 2018 after the announcement of the results of the Group for the year ending 31 December 2017.

If the Offer Price is fixed at HK\$5.50 per Share, being the high-end of the Offer Price range stated in this prospectus, the net proceeds will be increased by approximately HK\$227.3 million. If the Offer Price is fixed at HK\$4.00 per Share, being the low-end of the Offer Price range stated in this prospectus, the net proceeds will be reduced by approximately HK\$227.3 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

The Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. Assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$502.7 million from the Global Offering after deducting the underwriting commissions payable by the Selling Shareholder and any applicable stamp duty in connection with the sale of the Sale Shares in the Global Offering (excluding the discretionary incentive fee). If the Offer Price is fixed at HK\$5.50 per Share, being the high-end of the Offer Price range stated in this prospectus, the net proceeds which will be received by the Selling Shareholder will be increased by approximately HK\$79.4 million. If the Offer Price is fixed at HK\$4.00 per Share, being the low-end of the Offer Price range stated in this prospectus, the net proceeds which will be received by the Selling Shareholder will be reduced by approximately HK\$79.4 million.

The Over-allotment Option will be granted by the Selling Shareholder. If the Over-allotment Option is exercised in full, after deducting the underwriting commissions (excluding the discretionary incentive fee) payable by the Selling Shareholder and any applicable stamp duty in connection with the exercise of the Over-allotment Option, we estimate the net proceeds which the Selling Shareholder will receive from such exercise of the Over-allotment Option will be approximately HK\$290.9 million assuming that the Offer Price is HK\$4.75 per Share (being the mid-point of the stated range of the Offer Price of between HK\$4.00 and HK\$5.50 per Share).

To the extent that the net proceeds of the Global Offering are not immediately required for the aforesaid purposes and to the extent permitted by the applicable laws and regulations, we may hold such funds on short-term deposits as our Directors consider to be in our interests and those of our Shareholders taken as a whole.

UNDERWRITING

HONG KONG UNDERWRITERS

J.P. Morgan Securities (Asia Pacific) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Asia Capital Limited
Prestige Securities Limited
First Shanghai Securities Limited
Quam Securities Company Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering (which includes the Preferential Offering) is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 41,850,000 Hong Kong Offer Shares and the International Offering of initially 376,650,000 International Offer Shares (including 43,900,000 Shares being offered under the Preferential Offering), subject, in each case, to reallocation on the basis as described in “*Structure of the Global Offering*” in the prospectus and the Over-allotment Option (in case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Monday, 26 June 2017. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly or jointly and severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (jointly for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their sole and absolute discretion, by written notice to the

UNDERWRITING

Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan or Bermuda (each a **“Relevant Jurisdiction”**);
 - b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets in or affecting any Relevant Jurisdiction; or
 - c) any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities, acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, outbreaks of diseases pandemics or epidemics, in each case beyond the control of the Hong Kong Underwriters; or
 - d) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange; or
 - e) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars), or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
 - f) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions.
 - g) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

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- h) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or
- i) any litigation or claim being threatened or instigated against any Group company (including the Expressway JVs), the Controlling Shareholder, RKI or any Director; or
- j) a governmental authority or a regulatory body or organisation commencing any investigation or other action (including arrest or detainment) or proceedings, or announcing an intention to investigate or take other action (including arrest or detainment) or proceedings, against any Group company (including the Expressway JVs), or any Director; or
- k) any of the chairman, the chief executive officer or the chief financial officer of the Company vacating his office, any Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or
- l) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any Group company (including the Expressway JVs) (including any litigation or claim of any third party being threatened or instigated against any Group company (including the Expressway JVs)); or
- m) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any Group company (including the Expressway JVs) or any Group company (including the Expressway JVs) making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any Group company (including the Expressway JVs) or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any Group company (including the Expressway JVs) or anything analogous thereto occurs in respect of any Group company (including the Expressway JVs);

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), after consultation with the Company: (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or the Group (including the Expressway JVs) as a whole or to any present or prospective shareholder of the Company in its capacity as such; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it

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impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering, the Preferential Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering, the Preferential Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or may have the effect of making an part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of any of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, or any of the Hong Kong Underwriters:

- a) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- b) a governmental or regulatory prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the Global Offering; or
- c) approval for listing of and permission to deal in the Shares to be issued or sold is refused or not granted/or if granted, subsequently withdrawn, qualified or withhold; or
- d) that any statement contained in this prospectus, the Application Forms and the formal notice (the “**Hong Kong Public Offering Documents**”) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
- e) any contravention by any Group company (including the Expressway JVs) or any Director or director of the Group companies (including the Expressway JVs) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law, the Listing Rules or any other applicable law or regulation; or
- f) non-compliance with this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and

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Miscellaneous Provisions) Ordinance, the Listing Rules or any other applicable law or regulation; or

- g) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
- h) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company, the Controlling Shareholder or RKI or (ii) any of the representations, warranties and undertakings given by the Company, the Controlling Shareholder or RKI in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or
- i) any of the reporting accountant, or any of the counsel or advisor of the Company or other experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- j) any event, act or omission which gives or is likely to give rise to any liability of the Company, the Controlling Shareholder or RKI pursuant to the indemnities given by the Company, the Controlling Shareholder or RKI under the Hong Kong Underwriting Agreement; or
- k) any breach of any of the obligations of any of the Company, the Controlling Shareholder or RKI under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- l) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled; or
- m) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that we will not issue any further shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

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Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilising Manager or any of its associates or any person acting for it), that it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First six-month Period**”), dispose of, or enter into any agreement to dispose of any Shares in respect of which it is shown by this prospectus the Controlling Shareholder to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) or otherwise create any options, rights, interests or encumbrances in respect of such Shares; and
- (b) in the period of six months immediately following the expiry of the First six-month Period (the “**Second six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

in each case, save as permitted under the Listing Rules.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First six-month Period and the Second six-month Period, it will:

- (a) if it pledges or charges any of our securities beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by the Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead

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Managers, the Hong Kong Underwriters and each of them that it will not (except for (i) the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, (ii) the issue of Shares pursuant to the Capitalisation Issue, (iii) any offer of share options pursuant to the Share Option Scheme and/or allotment and issue of Shares pursuant to the exercise of any such share options), at any time from the date of the Hong Kong Underwriting Agreement and until the expiry of the First six-month Period, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and unless in compliance with the requirements of the Listing Rules):

- a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, lend or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or equity securities of the Company), or deposit any Shares or equity securities of the Company with a depositary in connection with the issue of depositary receipts;
- b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or equity securities of the Company);
- c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- d) offer to or agree to or announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company (whether or not the allotment or issue of Shares or such other securities of the Company will be completed within the First six-month Period). In the event that, at any time during the Second six-month Period, the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company has undertaken to take all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

The Company has undertaken to the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters that it will comply and the Controlling Shareholders have undertaken to the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and each of them to procure that the Company will comply with the minimum public float requirements specified in the Listing Rules or in any waiver granted and not revoked by the Stock Exchange (the “**Minimum Public Float Requirement**”); each of the Controlling

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Shareholders has undertaken to the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that it will not agree to or effect, and will procure its associates not to agree to nor effect any purchases of Shares which may cause the breach of the Minimum Public Float Requirements. The Company has undertaken to the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that it will not agree to or effect any purchase of Shares which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the Minimum Public Float on or before the first anniversary of the Listing Date without first having obtained the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Undertaking by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to the Company, the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it will not (save for (A) any sale of Shares by it pursuant to the Global Offering, (B) in the case of the Selling Shareholder only, any lending of Shares by it pursuant to the Stock Borrowing Agreement, and (C) any pledge or charge of Shares (in respect of which it is shown in this prospectus as the beneficial owner) by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), at any time during the First six-month Period:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive or purchase, any such Shares or equity securities of the Company) beneficially owned by it as at the Listing Date;
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive or purchase, any such Shares or equity securities of the Company);
 - (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce, or publicly disclose any intention to effect any transaction specified in paragraphs (a), (b) or (c) above, in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company (whether or not the transaction will be completed within the First six-month Period);

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- (ii) it will not, at any time during the Second six-month Period, enter into any of the transactions specified in paragraph (a), (b) or (c) above in respect of any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive or purchase, any such Shares or equity securities of the Company), or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and
- (iii) until the expiry of the Second six-month Period, in the event that it enters into any of the transactions specified in paragraph (a), (b) or (c) above in respect of any Shares, any equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive or purchase, any such Shares or equity securities of the Company), or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly or jointly and severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure subscribers or purchasers for such International Offer Shares.

The Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until Sunday, 30 July 2017, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 62,775,000 additional Shares, together representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 2.25% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be

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paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may also in our sole discretion pay any or all of the Hong Kong Underwriters an additional incentive fee of up to 0.5% in the aggregate of the sale proceeds of the Shares offered by us under the Hong Kong Public Offering.

Based on an Offer Price of HK\$4.75 per Share (being the mid-point of the indicative Offer Price range of HK\$4.00 to HK\$5.50 per Share), the aggregate commissions and fees (excluding the discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the “**Commission and Fee**”) are estimated to amount to approximately HK\$81.4 million.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters’ Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Joint Sponsors’ Fee

A total amount of approximately HK\$4.65 million is payable by the Company as sponsor fees to the Joint Sponsors.

Independence of Joint Sponsors

As of the Latest Practicable Date, each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in “*Structure of the Global Offering*”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to Stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, financial, banking, securities and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. J.P. Morgan Securities (Asia Pacific) Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Asia Capital Limited are the Joint Global Coordinators of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 41,850,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in “—*The Hong Kong Public Offering*”; and
- (b) the International Offering of an aggregate of 376,650,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) (i) in the United States or to U.S. persons, in each case only to persons who are both QIBs and QPs in reliance on Rule 144A or pursuant to an exemption from, in a transaction no subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) to non-U.S. persons in offshore transactions in accordance with Regulation S.

Of the 376,650,000 Offer Shares being offered under the International Offering, 43,900,000 Shares will be offered under the Preferential Offering to the Qualifying RKI Shareholders as an Assured Entitlement as described in “—*The Preferential Offering*” below.

Investors may either:

- (a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both (except that Qualifying RKI Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible or (ii) indicate an interest for the Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 27% of the total issued share capital of the Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 41,850,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.7% of the Company’s total issued share capital immediately after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “—*Conditions of the Hong Kong Public Offering*” below.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The Listing is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$5.50 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in “—*Pricing and Allocation*” below, is less than the maximum Offer Price of HK\$5.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “*How to Apply for Hong Kong Offer Shares and Reserved Shares*”.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering and the approval for such listing and permission not subsequently having been revoked prior to the Listing Date;
- (b) the Offer Price being duly agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Company and the Selling Shareholder on or before the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the

STRUCTURE OF THE GLOBAL OFFERING

International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Monday, 3 July 2017.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Selling Shareholder and the Company on or before Monday, 3 July 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering, the Preferential Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company (www.rkeinternational.com) and the website of the Stock Exchange (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “*How to Apply for Hong Kong Offer Shares and Reserved Shares—H. Despatch/Collection of Share Certificates and Refund Monies*”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement.

In order to enable RKI Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying RKI Shareholders are being invited to apply for an aggregate of 43,900,000 Reserved Shares in the Preferential Offering, representing approximately 10.5% of the Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised), as an Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in “—*Reallocation*” below.

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The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 17 RKI Shares held by Qualifying RKI Shareholders as at 4:30 p.m. on the Record Date.

Qualifying RKI Shareholders should note that their Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 1,000 Shares. No odd lot matching services will be provided. Furthermore, the Reserved Shares allocated to each Qualifying RKI Shareholder will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying RKI Shareholders to Reserved Shares are not transferable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying RKI Shareholders who hold less than 17 RKI Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares.

Qualifying RKI Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying RKI Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying RKI Shareholder applies for a number of Reserved Shares which is greater than the Qualifying RKI Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying RKI Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying RKI Shareholders (other than HKSCC Nominees) who intend to apply for more than their Assured Entitlement should either apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount, or else the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (a) less than the difference between the total number of Reserved Shares and the number of Reserved Shares taken up by the Qualifying RKI Shareholders by way of their Assured Entitlements (the "**Available Reserved Shares**"), the Available

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Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full to the extent the Company will comply with Rule 8.24 of the Listing Rules immediately upon completion of the Global Offering, and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there is an odd lot number of Shares remaining after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial RKI Shareholders whose RKI Shares are held by a nominee company should note that the Company will regard the nominee company as a single RKI Shareholder according to the register of members of RKI. Accordingly, Beneficial RKI Shareholders whose RKI Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial RKI Shareholders whose RKI Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant RKI Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying RKI Shareholders for Hong Kong Offer Shares.

In addition to any application for Reserved Shares made on a **BLUE** Application Form, Qualifying RKI Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **HK eIPO White Form** service. Qualifying RKI Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service under the Hong Kong Public Offering.

Qualifying RKI Shareholders and Non-Qualifying RKI Shareholders.

Only RKI Shareholders whose names appeared on the register of members of RKI on the Record Date and who are not Non-Qualifying RKI Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

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Non-Qualifying RKI Shareholders are those RKI Shareholders with registered addresses in jurisdictions outside Hong Kong on the Record Date who the directors of RKI and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant RKI Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of RKI and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the RKI Shareholders in the Specified Territories. Having considered the circumstances, the directors of RKI and the Company have formed the view that it is necessary or expedient to restrict the ability of RKI Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the RKI Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying RKI Shareholders are RKI Shareholders whose names appeared on the register of members of RKI on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories.

Without limiting the foregoing, the Reserved Shares may not be offered or sold in the United States or Canada or to any "U.S. person" (as defined in Regulation S) under the Preferential Offering. Accordingly, no RKI Shareholder (including Beneficial RKI Shareholders) who resides in the United States or otherwise is a U.S. person or who resides in Canada will be entitled or permitted to apply and subscribe for the Reserved Shares under the Preferential Offering, nor may any Qualifying RKI Shareholder or other party apply and subscribe for the Reserved Shares under the Preferential Offering for the account or benefit of any person which resides in the United States or otherwise is a U.S. person or which resides in Canada.

The Reserved Shares may not be offered within any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) except to professional investors in that Relevant Member State under the following exemptions under the Prospectus Directive:

- to legal entities which are qualified investors as defined in the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Reserved Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive, and each person who initially acquires Reserved Shares or to whom any offer is made will be deemed to have

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represented, warranted to and agreed with the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any Reserved Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, warranted, acknowledged and agreed with the Company that the Reserved Shares subscribed by it in the Preferential Offering have not been subscribed on a non-discretionary basis on behalf of, nor have they been subscribed with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Reserved Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined.

For the purposes of the above provisions, “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto) and includes any relevant implementing measure in each Relevant Member State.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Form, the Company reserves the right to permit any RKI Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above. Further, notwithstanding any other provision in this prospectus or the **BLUE** Application Form, the Company reserves the right not to allot any Reserved Shares if it believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdictions (i) where the **BLUE** Application Form is received; or (ii) where the applicant or the Beneficial RKI Shareholder on whose behalf the applicant is making the application under the Preferential Offering is situated at.

Distribution of this Prospectus and the BLUE Application Forms.

The **BLUE** Application Forms together with copies of this prospectus have been despatched to all Qualifying RKI Shareholders. See “*How to Apply for Hong Kong Offer Shares and Reserved Shares*” for more details.

Application Procedures.

The procedures for application under and the terms and conditions of the Preferential Offering are set out in “*How to Apply for Hong Kong Offer Shares and Reserved Shares*” and on the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

The International Offering will consist of an initial offering of 376,650,000 Offer Shares (including 43,900,000 Shares being offered under the Preferential Offering), representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 24.3% of the Company’s total issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not

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exercised). The International Offer Shares (other than the Reserved Shares being offered under the Preferential Offering) will comprise 224,250,000 New Shares being offered by the Company for subscription and 108,500,000 Sale Shares being offered by the Selling Shareholder for sale.

The Stabilising Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 62,775,000 additional Offer Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed below) or a combination of these means.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 62,775,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised), at the Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent 4.05% of our total issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of

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Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on Sunday, 30 July 2017, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

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- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilisation period.

Following any over-allocation of Offer Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting on their behalf may cover such over-allocation by, among other methods, using Shares purchased by Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 62,775,000 Shares, representing no more than approximately 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 30 June 2017 (Hong Kong time) and in any event on or before Monday, 3 July 2017 (Hong Kong time), by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Company and the Selling Shareholder and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$5.50 per Offer Share and is expected to be not less than HK\$4.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering and the Preferential Offering must pay, on application, the Maximum Offer Price of HK\$5.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%,

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amounting to a total of HK\$5,555.43 for one board lot of 1,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company (www.rkeinternational.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction in the number of Offer Shares and/or the indicative offer price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Company and the Selling Shareholder, will be fixed within such revised offer price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares and/or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

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In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares and the results of allocations in the Hong Kong Public Offering and the Preferential Offering are expected to be made available through a variety of channels in the manner described in “*How to Apply for Hong Kong Offer Shares and Reserved Shares—E. Publication of Results*”.

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 20,925,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will consist of 20,925,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 20,925,000 Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool / being 50% of the 20,925,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

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Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares in the United States or to U.S. persons, in each case only to persons who are both QIBs and QPs in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States and to non-U.S. persons in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—*Pricing and Allocation*” above and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares, after the listing of our Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practise Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- (a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 41,850,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- (b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public

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Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 125,550,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- (c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 167,400,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (d) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 209,250,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators in their absolute discretion, may (but shall not be obliged to) reallocate all or any of the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The Reserved Shares which are offered under the Preferential Offering to Qualifying RKI Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 7 July 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 7 July 2017. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 3682.

STRUCTURE OF THE GLOBAL OFFERING

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on Friday, 7 July 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “*Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination*” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

A. APPLICATION FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares and/or the shares of a subsidiary of the Company and/or any Expressway JV;
- are a director or chief executive officer or substantial shareholder of the Company or RKL and/or any of their respective subsidiaries and/or any of the Expressway JVs;
- are a close associate or an associate (as defined in the Listing Rules) of any of the above;
- are otherwise a core connected person or a connected person (as defined in the Listing Rules) of the Company or RKL or a person falling within Rule 8.24(1) or (2) of the Listing Rules or will become a core connected person or a connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 June 2017 until 12:00 noon on Friday, 30 June 2017 from:

- (a) any of the following offices of the Hong Kong Underwriters:

J.P. Morgan Securities (Asia Pacific) Limited

29/F, Chater House
8 Connaught Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

Level 15, 1 Queen's Road Central
Hong Kong

DBS Asia Capital Limited

17/F, The Center
99 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Prestige Securities Limited

Suite 5102, Cheung Kong Center
2 Queen's Road Central
Hong Kong

First Shanghai Securities Limited

1903, Wing On House
71 Des Voeux Road Central
Hong Kong

Quam Securities Company Limited

18/F China Building
29 Queen's Road Central
Hong Kong

(b) or any of the branches of the following receiving bank:

Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
New Territories	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long
	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 June 2017 until 12:00 noon on Friday, 30 June 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG)

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

NOMINEES LIMITED—RKE PUBLIC OFFER” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 27 June 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 28 June 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 29 June 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, 30 June 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 30 June 2017, the last application day or such later time as described in “—D. *Effect of Bad Weather on the Opening of the Application Lists*” in this section.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/ or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum of Association and the Bye-laws;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Bermuda Companies Act and the Bye-laws;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of the Company and the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (h) agree to disclose to the Company, our Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company and the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and not a U.S. persons (as defined in Regulation S);
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise the Company to place your name(s) or the name of HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the "Personal Collection" section in this prospectus to collect the Share certificate(s) and/or refund cheque(s) in person and make such collection;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying, except in respect of Reserved Shares applied for under the Preferential Offering;
- (q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider by you or by anyone as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. Applying through HKeIPO White Form Service

General

Individuals who meet the criteria in “—2. *Who Can Apply*” above may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 27 June 2017 until 11:30 a.m. on Friday, 30 June 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 30 June 2017 or such later time under “—D. *Effect of Bad Weather on the Opening of the Application Lists*” below.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS phone system by calling 2979 7888 or through the CCASS Internet system (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (b) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
 - agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Bermuda Companies Act and the Memorandum of Association and the Bye-laws; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 27 June 2017 — 9:00 a.m to 8:30 p.m⁽¹⁾

Wednesday, 28 June 2017 — 8:00 a.m to 8:30 p.m⁽¹⁾

Thursday, 29 June 2017 — 8:00 a.m to 8:30 p.m⁽¹⁾

Friday, 30 June 2017 — 8:00 a.m⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 27 June 2017 until 12:00 noon on Friday, 30 June 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 30 June 2017, the last application day or such later time as described in “—D. Effect of Bad Weather on the Opening of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS phone system/ CCASS Internet system for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 30 June 2017.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you are a Qualifying RKI Shareholder applying for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in “*Structure of the Global Offering—The Preferential Offering*”.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) (other than any application(s) made on a **BLUE** Application Form in your capacity as a Qualifying RKI Shareholder). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATION FOR RESERVED SHARES

1. Who Can Apply

Only RKI Shareholders whose names appeared on the register of members of RKI on the Record Date and who are not Non-Qualifying RKI Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying RKI Shareholders are those RKI Shareholders with registered addresses in jurisdictions outside Hong Kong on the Record Date who the directors of RKI and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant RKI Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

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The directors of RKI and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the RKI Shareholders in the Specified Territories. Having considered the circumstances, the directors of RKI and the Company have formed the view that it is necessary or expedient to restrict the ability of RKI Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the RKI Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying RKI Shareholders are RKI Shareholders whose names appeared on the register of members of RKI on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories.

Without limiting the foregoing, the Reserved Shares may not be offered or sold in the United States or Canada or to any “U.S. person” (as defined in Regulation S) under the Preferential Offering. Accordingly, no RKI Shareholders (including Beneficial RKI Shareholders) which reside in the United States or otherwise are a U.S. person or which reside in Canada will be entitled or permitted to apply and subscribe for the Reserved Shares under the Preferential Offering, nor may any Qualifying RKI Shareholder or other party apply and subscribe for the Reserved Shares under the Preferential Offering for the account or benefit of any person which resides in the United States or otherwise is a U.S. person or which resides in Canada.

The Reserved Shares may not be offered within any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) except to professional investors in that Relevant Member State under the following exemptions under the Prospectus Directive:

- to legal entities which are qualified investors as defined in the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Reserved Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive, and each person who initially acquires Reserved Shares or to whom any offer is made will be deemed to have represented, warranted to and agreed with the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any Reserved Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, warranted, acknowledged and agreed with the Company that

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the Reserved Shares subscribed by it in the Preferential Offering have not been subscribed on a non-discretionary basis on behalf of, nor have they been subscribed with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Reserved Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined.

For the purposes of the above provisions, “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto) and includes any relevant implementing measure in each Relevant Member State.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Form, the Company reserves the right to permit any RKI Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above. Further, notwithstanding any other provision in this prospectus or the **BLUE** Application Form, the Company reserves the right not to allot any Reserved Shares if it believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdictions (i) where the **BLUE** Application Form is received; or (ii) where the applicant or the Beneficial RKI Shareholder on whose behalf the applicant is making the application under the Preferential Offering is situated at.

With respect to the Specified Territories, RKI has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any RKI Shares on behalf of the Beneficial RKI Shareholders that reside in any of the Specified Territories they must not apply for any Reserved Shares on behalf of such Beneficial RKI Shareholders.

Qualifying RKI Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Shares for every 17 RKI Shares held by them on the Record Date.

Qualifying RKI Shareholders who hold less than 17 RKI Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members’ names and not in the name of the firm. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with the corporation’s chop.

If an application is made by a person duly authorised under a valid power of attorney, the Company and the Joint Global Coordinators, as the Company’s agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney’s authority. The Company and the Joint Global Coordinators, as the Company’s agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

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You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares and/or the shares of a subsidiary of the Company and/or any Expressway JV;
- a Director or chief executive officer or substantial shareholder of the Company and/or any of their respective subsidiaries and/or any of the Expressway JVs;
- a close associate or an associate (as defined in the Listing Rules) of any of the above;
- otherwise a core connected person or a connected person (as defined in the Listing Rules) of the Company or a person falling within Rule 8.24(1) or (2) of the Listing Rules or a person who will become a core connected person or a connected person of the Company immediately upon completion of the Global Offering;
- a Non-Qualifying RKI Shareholder;
- are within the United States (within the meaning of Regulation S under the U.S. Securities Act) or a “U.S person” (within the meaning of Regulation S under the U.S. Securities Act); or
- a person who does not have a Hong Kong address or are a legal or natural person of the PRC (except qualified domestic institutional investors).

2. How to Apply

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying RKI Shareholders using **BLUE** Application Forms which have been despatched to Qualifying RKI Shareholders by the Company.

Qualifying RKI Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying RKI Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying RKI Shareholder applies for a number of Reserved Shares which is greater than the Qualifying RKI Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying RKI Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying RKI Shareholders (other than HKSCC Nominees) who intend to apply for more than their Assured Entitlement should either apply for a number which is one of the

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numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount, or else the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out in the **BLUE** Application Form, but not more than 43,900,000 Reserved Shares (being the number of Reserved Shares initially offered under the Preferential Offering).

To the extent that excess applications for the Reserved Shares are:

- (a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full to the extent the Company will comply with Rule 8.24 of the Listing Rules immediately upon completion of the Global Offering, and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there is an odd lot number of Shares remaining after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying RKI Shareholders who have applied for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **HK eIPO White Form** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying RKI Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service under the Hong Kong Public Offering.

Persons who held their RKI Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their RKI Shares on the Record Date in CCASS directly as a CCASS

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Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this Prospectus and the BLUE Application Forms

The **BLUE** Application Forms together with copies of this prospectus have been despatched to all Qualifying RKI Shareholders to their address recorded on the register of members of RKI at 4:30 p.m. on the Record Date.

In addition, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at www.rkeinternational.com and the Stock Exchange at www.hkexnews.hk under "*HKExnews > Listed Company Information > Latest Listed Company Information*".

Qualifying RKI Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or on its hotline 2980 1333.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying RKI Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of RKI and the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying by Using Blue Application Forms

- (a) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Shares.
 - **Option 1**—Apply for a number of Reserved Shares that is equal to your Assured Entitlement.

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- **Option 2**—Apply for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares.
 - **Option 3**—Apply for excess Reserved Shares only (e.g. if you hold less than 17 RKI Shares on the Record Date and therefore do not have an Assured Entitlement but are still entitled to participate in the Preferential Offering by applying for excess Reserved Shares).
 - **Option 4**—Apply for a number of Reserved Shares that is less than your Assured Entitlement.
- (b) The **BLUE** Application Form will be rejected by the Company if:
- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
 - the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
 - in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;
 - the cheque/banker's cashier order/**BLUE** Application Form is defective;
 - the **BLUE** Application Form is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
 - the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
 - the banker's cashier order was not issued by a licenced bank in Hong Kong, or did not have the applicant's name certified on the back by a person authorised by the bank;
 - the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
 - the name of the payee indicated on the cheque/banker's cashier order is not "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—RKE PREFERENTIAL OFFER";
 - the cheque has not been crossed "Account payee only";
 - the cheque was post-dated;
 - the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
 - the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;
 - alteration(s) to the application details on the **BLUE** Application Form has not been authorised by the signature(s) of the applicant(s);

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- the application is completed by pencil;
 - the applicant does not fill in all the boxes in the option he/she/it chooses;
 - the applicant chooses more than one of the options on the **BLUE** Application Form;
 - the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant or the Beneficial RKI Shareholder on whose behalf the applicant is making the application is situated; or
 - the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.
- (c) If you are applying for a number of Reserved Shares which is equal to your Assured Entitlement (Option 1):
- Your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the amount payable in Box B set out in the **BLUE** Application Form.
- (d) If you are applying for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares (Option 2):
- Your application will be rejected if the amount on the cheque/banker's cashier order does not match with and is less than the amount payable in relation to your Assured Entitlement applied for in your **BLUE** Application Form.
 - Your application for your Assured Entitlement will be accepted in full but your application for excess Reserved Shares will be rejected if the amount on the cheque/banker's cashier order does not match with and is more than the amount payable in relation to your Assured Entitlement applied for but is less than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.
- (e) If you are applying for excess Reserved Shares only (Option 3):
- You should apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the corresponding amount payable as set out in the table in the **BLUE** Application Form.
 - When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's

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cashier order does not match with and is less than the amount payable calculated by using the formula set out in the **BLUE** Application Form.

- (f) If you are applying for a number of Reserved Shares which is less than your Assured Entitlement (Option 4):
- You should apply for Reserved Shares in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the corresponding amount payable as set out in the table in the **BLUE** Application Form.
 - When the number of Reserved Shares applied for is not in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the amount payable calculated by using the formula set out in the **BLUE** Application Form.

5. When May Applications Be Made

(a) ***Applications on BLUE Application Form(s)***

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—RKE PREFERENTIAL OFFER" for the payment, should be deposited in the special collection box provided at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at the following times:

Tuesday, 27 June 2017 — 9:00 a.m to 5:00 p.m

Wednesday, 28 June 2017 — 9:00 a.m to 5:00 p.m

Thursday, 29 June 2017 — 9:00 a.m to 5:00 p.m

Friday, 30 June 2017 — 9:00 a.m to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 30 June 2017, the last day for applications, or such later time as described in "*—D. Effect of Bad Weather on the Opening of the Application Lists*" below.

(b) ***Application Lists***

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 30 June 2017, the last day for applications, or such later time as described in "*—D. Effect of Bad Weather on the Opening of the Application Lists*" below.

6. How Many Applications May Be Made

You should refer to "*—A. Applications for Hong Kong Offer Shares—8. How Many Applications Can You Make*" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

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7. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The maximum Offer Price is HK\$5.50 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Offer Shares or Reserved Shares, you will pay HK\$5,555.43.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares or Reserved Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk. For applicants on the **BLUE** Application Form, if the number of Reserved Shares applied for is not one of the numbers set out in the table, you must calculate the correct amount payable on application by using the formula set out in the **BLUE** Application Form or as otherwise specified on the designated website at www.hkeipo.hk, but not more than 43,900,000 Reserved Shares (being the number of Reserved Shares initially offered under the Preferential Offering).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For more details on the Offer Price, see “*Structure of the Global Offering—Pricing and Allocation*”.

D. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 30 June 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 30 June 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “*Expected Timetable*”, an announcement will be made in such event.

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E. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares on Thursday, 6 July 2017 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on the Company's website at www.rkeinternational.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at www.rkeinternational.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 6 July 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 6 July 2017 to 12:00 midnight on Wednesday, 12 July 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 6 July 2017 to Tuesday, 11 July 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 6 July 2017 to Monday, 10 July 2017 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or the Reserved Shares (as the case may be) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your

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behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares and/or Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying RKI Shareholder);

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- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect for Reserved Shares applied for pursuant to the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$5.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "*Structure of the Global Offering—The Hong Kong Public Offering—Conditions of the Hong Kong Public Offering*" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 6 July 2017.

H. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares and/or Reserved Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Reserved Shares allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 6 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 7 July 2017 provided that the Global Offering has become unconditional and the right of termination described in “*Underwriting*” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a **WHITE** or **BLUE** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form or 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 July 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, as applicable, less than 1,000,000 Reserved Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 6 July 2017, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 6 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 6 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering and the Preferential Offering in the manner described in "*—E. Publication of Results*" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS phone system and CCASS Internet system.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more through the HK eIPO White Form service, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 July 2017, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 6 July 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 6 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offered Shares and the Reserved Shares in the manner specified in "*—E. Publication of Results*" above on Thursday, 6 July 2017. You should check the announcement published by the Company

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS phone system and the CCASS Internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 6 July 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 6 July 2017.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RKE INTERNATIONAL HOLDINGS LIMITED, DBS ASIA CAPITAL LIMITED, HSBC CORPORATE FINANCE (HONG KONG) LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of RKE International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-60, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statement of financial position of the Company as at 31 December 2016 and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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.

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' judgment, 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 Historical Financial Information that gives a true and fair view in accordance

with the basis of preparation and presentation set out in Note 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 on historical financial information, a true and fair view of the Company's financial position as at 31 December 2016 and the Group's financial position as at 31 December 2014, 2015 and 2016 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I - 3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by Road King (China) Infrastructure Limited and the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of the accountants' report on historical financial information.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Road King (China) Infrastructure Limited and its subsidiaries (the "Consolidated Financial Statements"), and management accounts of the Company for the Track Record Period. The Consolidated Financial Statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA, and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (together with the management accounts, collectively the "Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS

	NOTES	Year ended 31 December		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Continuing operations				
Other income	7	28,954	25,464	20,942
Other gains		755	23	43
Listing expenses		—	—	(10,000)
Administrative expenses		(58,293)	(56,677)	(51,381)
Share of results of joint ventures	8	242,777	307,921	452,683
Profit before taxation		214,193	276,731	412,287
Income tax expense	9	(29,102)	(26,207)	(24,430)
Profit for the year from continuing operations	10	<u>185,091</u>	<u>250,524</u>	<u>387,857</u>
Discontinued operation				
Loss for the year from discontinued operation, net of related income tax	11	<u>(66,111)</u>	<u>(38,828)</u>	<u>(31,257)</u>
Profit for the year		<u>118,980</u>	<u>211,696</u>	<u>356,600</u>

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit for the year	118,980	211,696	356,600
Other comprehensive income (expense)			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Exchange gain (loss) arising on translation to presentation			
currency	10,729	(183,314)	(311,236)
Other comprehensive income (expense) for the year	10,729	(183,314)	(311,236)
Total comprehensive income for the year	<u>129,709</u>	<u>28,382</u>	<u>45,364</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	905	640	379
Interests in joint ventures	16	4,004,726	3,628,714	3,224,190
Loans to joint ventures	17	206,460	148,793	92,631
		<u>4,212,091</u>	<u>3,778,147</u>	<u>3,317,200</u>
CURRENT ASSETS				
Other receivables and prepayments	18	186,940	181,276	2,971
Amount due from ultimate holding company	19	—	—	118,862
Amount due from a fellow subsidiary	19	645,789	711,437	628,206
Loans to joint ventures	17	146,675	134,976	126,059
Bank balances and cash	20	101,439	156,986	343,028
		<u>1,080,843</u>	<u>1,184,675</u>	<u>1,219,126</u>
CURRENT LIABILITIES				
Other payables and accruals		4,409	4,806	12,840
Amount due to ultimate holding company	19	383,733	462,873	—
Amount due to a joint venture	19	46,459	—	—
Income tax payable		—	463	—
		<u>434,601</u>	<u>468,142</u>	<u>12,840</u>
NET CURRENT ASSETS		<u>646,242</u>	<u>716,533</u>	<u>1,206,286</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,858,333</u>	<u>4,494,680</u>	<u>4,523,486</u>
NON-CURRENT LIABILITY				
Deferred tax liabilities	21	42,529	26,905	22,200
NET ASSETS		<u>4,815,804</u>	<u>4,467,775</u>	<u>4,501,286</u>
CAPITAL AND RESERVES				
Share capital	22	2,000,000	2,000,000	2,000,000
Reserves		2,815,804	2,467,775	2,501,286
TOTAL EQUITY		<u>4,815,804</u>	<u>4,467,775</u>	<u>4,501,286</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<u>NOTE</u>	<u>As at 31 December 2016</u> HK\$'000
CURRENT ASSET		
Cash		—
CURRENT LIABILITY		
Accruals		(10,000)
NET CURRENT LIABILITY		<u>(10,000)</u>
DEFICIT		
Share capital	22	—
Accumulated losses		(10,000)*
TOTAL EQUITY		<u>(10,000)</u>

* The amount represented the loss for the period from 16 November 2016 (date of incorporation) to 31 December 2016.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Translation reserve	Other reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2013	2,000,000	1,267,593	—	1,922,916	5,190,509
Profit for the year	—	—	—	118,980	118,980
Exchange difference arising on translation to presentation currency	—	10,729	—	—	10,729
Total comprehensive income for the year	—	10,729	—	118,980	129,709
Dividend paid	—	—	—	(504,414)	(504,414)
At 31 December 2014	2,000,000	1,278,322	—	1,537,482	4,815,804
Profit for the year	—	—	—	211,696	211,696
Exchange difference arising on translation to presentation currency	—	(183,314)	—	—	(183,314)
Total comprehensive (expense) income for the year	—	(183,314)	—	211,696	28,382
Dividend paid	—	—	—	(376,411)	(376,411)
Deregistration of subsidiaries and released upon disposal of joint ventures	—	(25,047)	—	25,047	—
At 31 December 2015	2,000,000	1,069,961	—	1,397,814	4,467,775
Profit for the year	—	—	—	356,600	356,600
Exchange difference arising on translation to presentation currency	—	(311,236)	—	—	(311,236)
Total comprehensive (expense) income for the year	—	(311,236)	—	356,600	45,364
Transfer of equity interest in a subsidiary under common control (note)	—	—	(11,853)	—	(11,853)
Deregistration of subsidiaries and released upon disposal of subsidiaries and joint ventures	—	(249,147)	—	249,147	—
At 31 December 2016	2,000,000	509,578	(11,853)	2,003,561	4,501,286

Note: On 28 September 2016, as part of the group reorganisation, Road King (China) Infrastructure Limited ("RKC") acquired the entire equity interest in Sincere Mind Management Limited, an indirect wholly-owned subsidiary of Road King Infrastructure Limited ("RKI") at a consideration of approximately HK\$11,853,000, the amount was settled through the current account with RKI. The difference between the consideration paid by RKC and the share capital of Sincere Mind Management Limited was recognised in other reserve.

COMBINED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 December		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES				
Profit for the year		118,980	211,696	356,600
Income tax		31,772	28,304	25,534
Depreciation		182	289	249
Interest income		(21,280)	(15,066)	(10,687)
Share of results of joint ventures		(184,515)	(274,548)	(426,943)
Loss on disposal of property, plant and equipment		—	2	6
Gain on disposal of joint ventures		—	(2,145)	—
Operating cash flows before movements in working capital		(54,861)	(51,468)	(55,241)
Decrease (increase) in other receivables and prepayments		438	(1,678)	1,504
(Decrease) increase in other payables and accruals		(897)	397	9,407
Cash used in operations		(55,320)	(52,749)	(44,330)
Income tax paid		(20,632)	(42,239)	(17,490)
NET CASH USED IN OPERATING ACTIVITIES		(75,952)	(94,988)	(61,820)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(585)	(53)	(26)
Refund of tender deposit for bidding toll expressway project		189,873	—	—
Repayment from ultimate holding company		443,003	—	—
Advances to a fellow subsidiary		(829,317)	(442,206)	(458,286)
Repayment from a fellow subsidiary		431,626	352,699	496,811
Repayment from a joint venture		50,380	—	—
Cash distributions received from joint ventures		463,346	468,817	520,431
Acquisition of a joint venture		(343,043)	—	—
Capital contributions to joint ventures		(378,773)	—	—
Loan to a joint venture		(6,218)	—	—
Loan settlement from joint ventures		51,624	55,586	46,333
Net proceeds on disposal of interests in joint ventures		—	32,341	—
Net cash outflow from disposal of subsidiaries	25	—	—	(434)
Interest received		21,280	15,066	10,687
NET CASH FROM INVESTING ACTIVITIES		93,196	482,250	615,516
FINANCING ACTIVITIES				
Advance from ultimate holding company		642,463	393,459	—
Repayment to ultimate holding company		(261,150)	(296,628)	(347,662)
Advance from (repayment to) a joint venture		46,459	(46,459)	—
Dividend paid		(504,414)	(376,411)	—
NET CASH USED IN FINANCING ACTIVITIES		(76,642)	(326,039)	(347,662)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(59,398)	61,223	206,034
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		160,806	101,439	156,986
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		31	(5,676)	(19,992)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash		101,439	156,986	343,028

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in Bermuda with limited liability in accordance with the Companies Act 1981 of Bermuda on 16 November 2016. The addresses of the registered office and principal business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Suite 506-8, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong, respectively. Its ultimate holding company is RKI, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange. Its immediate holding company is New Select Global Limited ("New Select"), a limited liability company incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company. Pursuant to a corporate reorganisation as detailed in note 2 ("Group Reorganisation"), the Company became the holding company of the Group upon completion of the Group Reorganisation on 19 June 2017. Other than the transactions relating to the Group Reorganisation, the Company has not carried out any business since the date of its incorporation. Its subsidiaries and joint ventures are engaged in the development, operation and management of toll expressways in the People's Republic of China (the "PRC").

The functional currency of the Company and its major subsidiaries and the Group's joint ventures is Renminbi. However, the Historical Financial Information is presented in Hong Kong dollars as the directors of the Company consider this presentation is more useful for its current and potential investors.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the Group Reorganisation, RKC was the holding company of the Group. Throughout the Track Record Period (or since their respective dates of incorporation/establishment, if shorter), the group entities were under common control of RKI. The Group Reorganisation comprised of the following steps:

- (a) On 28 September 2016, RKC sold and Jadeland Global Limited, a wholly-owned subsidiary of RKI, acquired the entire issued share capital of Anwell Investment Limited, Kamshan Investments Limited, Kohyu Investments Limited, Lackson Investments Limited, Longdistance Investments Limited, Pondtai Investments Limited, Road Fly Investments Limited, Road Fortune Investments Limited, Road Gain Investments Limited, Road Giant Investments Limited, Road Harvest Investments Limited, Road Keen Investments Limited, Road Mass Investments Limited, Road Sincere Investments Limited, Road Success Investments Limited, Road Team Investments Limited and Tonston Investments Limited (collectively referred to as the "Disposal Group"), which are engaged in the highway business in the PRC, at a total cash consideration of approximately HK\$182,779,000. Upon the disposal of these subsidiaries to RKI, the Group no longer engaged in the toll highway operation.

- (b) On 28 September 2016, Precious Wave Limited, a wholly owned subsidiary of RKI, sold and RKC acquired the entire issued share capital of Sincere Mind Management Limited at a cash consideration of approximately HK\$11,853,000.
- (c) On 12 October 2016, New Select was incorporated in the BVI and one share was issued and allotted to RKI fully at par.
- (d) On 16 November 2016, the Company was incorporated in Bermuda with an authorised share capital of HK\$10,000 comprising of 100,000 shares of HK\$0.1 each. On 1 December 2016, 1 share was issued to New Select at par.
- (e) On 19 June 2017, the Company acquired the entire issued share capital of RKC in consideration of the allotment and issue by the Company of 499,999,999 new shares to New Select, credited as fully paid.

Pursuant to the Group Reorganisation, the Company became the holding company of the other subsidiaries comprising the Group on 19 June 2017. Since RKI controlled all the companies now comprising the Group throughout the Track Record Period or since their respective dates of incorporation/establishment and that the control is not transitory, the Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Historical Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The combined statements of profit or loss, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period, except for the subsidiaries disposed by the Group during the Track Record Period as disclosed in note 25, which are included in the Historical Financial Information up to date of disposal by the Group.

The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Group Reorganisation had been in existence as at those dates except for the subsidiaries disposed by the Group during the Track Record Period as disclosed in note 25 which are included in the Historical Financial Information taking into account the respective dates of disposal by the Group, and taking into account the respective dates of incorporation or establishment of other group entities.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards (“HKAS”), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively “HKFRSs”) which are effective for its accounting period beginning on 1 January 2016 throughout the Track Record Period.

At the date of this report, the Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ³
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except as described below, the directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the financial statement of the Group in the future.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses,

adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of HK\$4,465,000 as disclosed in Note 26. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but may result changes in measurement, presentation and disclosure as indicated above.

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Other than that, the directors of the Company anticipate that the application of the HKFRS 9 will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has right to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combinations involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Management fee income is recognised when the service is rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administration purposes are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's infrastructure joint ventures are Sino-foreign joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

The results and assets and liabilities of joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity amounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in joint ventures are initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures.

When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Historical Financial Information only to the extent of interests in the joint venture that are not related to the Group.

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The annual amortisation is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the underlying toll roads over the respective remaining concession periods to the net carrying value of the assets. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The financial assets of the Group are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount of initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and

receivables (including other receivables, loans to joint ventures, and amounts due from ultimate holding company and a fellow subsidiary, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

Financial assets are assessed for impairment on an individual basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amount due from a fellow subsidiary and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amount due from a fellow subsidiary and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial asset measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including other payables, amounts due to ultimate holding company and a joint venture are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair value and, if not designated at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group 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 in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the Group'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.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's entities and its joint ventures are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange

rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefit costs

Payments to the state-managed retirement benefit schemes in the PRC which are defined contribution plans and the Mandatory Provident Fund Scheme in Hong Kong are charged as an expense when employees have rendered service entitling them to the contributions.

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" as reported in the combined statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group'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 combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 rates (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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Service concession arrangement of joint ventures under HK(IFRIC) Interpretation 12 "Service Concession Arrangements"

The joint ventures of the Group have entered into a number of service concession arrangements with certain governmental authorities or their designees (the "Grantors"). Under these service concession arrangements,

- the Grantors control or regulate the services the joint ventures must provide with the infrastructure, to whom it must provide them, and at what price;
- the Grantors control through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, or the infrastructure is used for its entire useful life under the arrangements, or both the joint ventures' practical ability to sell or pledge the infrastructure is restricted and continuing right of use of the infrastructure is given to the Grantors throughout the period of the arrangements.

The accounting policies of the Group's joint ventures for the intangible assets and revenue and costs relating to upgrade services are set out below:

Intangible assets

The joint ventures have been granted by the Grantors the rights to operate the toll expressways and highways during the approved operating periods. According to the respective joint venture agreements, the joint ventures are responsible for the operation and management, maintenance and overhaul of the toll expressways and highways during the approved operating periods. The toll fees collected during the operating periods are attributable to the joint ventures. The relevant toll expressways and highways are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the joint ventures.

The joint ventures apply the intangible asset model to account for toll expressways and highways infrastructures where they are paid by the users of the toll expressways and highways. The Grantors do not provide any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the Grantors to the joint ventures to charge users of the toll expressway and highway services and are recorded in the statements of financial position of the joint ventures as "Concession intangible assets" and are stated at cost less accumulated amortisation and impairment, if any. The policy for the amortisation of concession intangible assets of the joint ventures is set out in the accounting policy for "Interests in joint ventures" above.

Revenue and costs relating to upgrade services of the existing or new infrastructure

Construction income generated and costs incurred from upgrading services rendering by the joint ventures of the Group is recognised under the percentage of completion method.

The stage of completion is measured on the basis of contract costs incurred up to the end of each reporting period as a percentage to the total estimated cost to be incurred for each contract. The costs incurred to date plus recognised profits less recognised losses, if any (representing the revenue) are included in intangible assets.

5. KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are 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.

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

Amortisation of concession intangible assets owned by joint ventures

Amortisation of concession intangible assets of the Group's infrastructure joint ventures is calculated based on the ratio of the actual 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 by the management 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 of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc. Adjustments may need to be made to the Group's share of amortisation of concession intangible assets of infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual traffic volume.

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016, the share of results of joint ventures from continuing operations included the share of amortisation of concession intangible assets of HK\$191,133,000, HK\$221,225,000, and HK\$244,445,000 respectively. The management considers that the amortisation is calculated by reference to the best estimates of the total expected traffic volumes of the underlying expressways.

6. SEGMENT INFORMATION

The Group's operating and reportable segments are determined based on information reported to the chief operating decision maker (the board of directors as disclosed in note 12) for the purpose of resource allocation and performance assessment.

Information reported to the chief operation decision maker, including the Group's share of the joint ventures' segment toll revenue, other income, toll operation expenses, administrative expenses, earnings before interest, tax, depreciation and amortisation ("EBITDA"), depreciation and amortisation, interest expense, income tax expenses, and the information is reported by individual toll expressway projects jointly operated and managed by the Group and the relevant joint venture partners. Accordingly, the Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

- Baojin Expressway ("Baojin Expressway JV")
- Tangjin Expressway ("Tangjin Expressway JV")
- Changsha—Yiyang Expressway ("Changyi Expressway JV")
- Longcheng Expressway ("Longcheng Expressway JV")
- Machao Expressway ("Machao Expressway JV")

Information regarding the above segments is reported below.

Segment revenue and results

Year ended 31 December 2014

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing Operations							
Segment revenue (toll revenue)	282,483	179,524	326,426	93,324	43,958	—	925,715
Other income	2,104	150	2,210	2,811	619	—	7,894
Toll operation expenses	(42,561)	(21,189)	(42,930)	(13,380)	(1,910)	—	(121,970)
Administrative expenses	(12,650)	(9,808)	(13,201)	(6,170)	(1,784)	—	(43,613)
EBITDA	229,376	148,677	272,505	76,585	40,883	—	768,026
Depreciation and amortisation	(49,929)	(53,147)	(91,261)	(20,412)	(8,876)	—	(223,625)
Finance costs	—	—	(20,038)	(107,682)	(43,856)	—	(171,576)
Income tax expenses	(44,421)	(29,553)	(42,035)	(14,039)	—	—	(130,048)
Segment results (share of results of joint ventures)	<u>135,026</u>	<u>65,977</u>	<u>119,171</u>	<u>(65,548)</u>	<u>(11,849)</u>	—	242,777
Unallocated corporate income							29,709
Unallocated corporate expenses							<u>(87,395)</u>
Profit for the year from continuing operations							<u>185,091</u>

APPENDIX I

**ACCOUNTANTS' REPORT ON HISTORICAL
FINANCIAL INFORMATION**

Year ended 31 December 2015

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing Operations							
Segment revenue (toll revenue)	308,900	200,524	354,805	108,911	91,581	—	1,064,721
Other income	2,388	1,294	2,170	1,600	2,241	—	9,693
Toll operation expenses	(52,672)	(26,050)	(49,531)	(21,863)	(4,974)	—	(155,090)
Administrative expenses	(11,011)	(9,596)	(15,611)	(4,783)	(4,085)	—	(45,086)
EBITDA	247,605	166,172	291,833	83,865	84,763	—	874,238
Depreciation and amortisation	(56,089)	(61,688)	(97,959)	(20,591)	(16,988)	—	(253,315)
Finance costs	—	—	(13,804)	(98,260)	(63,122)	—	(175,186)
Income tax expenses	(48,637)	(30,909)	(44,805)	(13,465)	—	—	(137,816)
Segment results (share of results of joint ventures)	<u>142,879</u>	<u>73,575</u>	<u>135,265</u>	<u>(48,451)</u>	<u>4,653</u>	<u>—</u>	307,921
Unallocated corporate income							25,487
Unallocated corporate expenses							<u>(82,884)</u>
Profit for the year from continuing operations							<u>250,524</u>

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Year ended 31 December 2016

	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing Operations							
Segment revenue (toll revenue)	317,908	267,484	374,888	142,484	107,914	—	1,210,678
Other income	2,506	1,118	1,682	569	649	—	6,524
Toll operation expenses	(41,730)	(34,389)	(44,381)	(23,704)	(8,952)	—	(153,156)
Administrative expenses	(10,817)	(14,010)	(14,996)	(5,270)	(4,582)	—	(49,675)
EBITDA	267,867	220,203	317,193	114,079	95,029	—	1,014,371
Depreciation and amortisation	(56,724)	(80,895)	(91,250)	(26,903)	(26,930)	—	(282,702)
Finance costs	—	—	(8,735)	(74,792)	(51,385)	—	(134,912)
Income tax expenses	(51,135)	(35,855)	(54,488)	(2,596)	—	—	(144,074)
Segment results (share of results of joint ventures)	<u>160,008</u>	<u>103,453</u>	<u>162,720</u>	<u>9,788</u>	<u>16,714</u>	<u>—</u>	452,683
Unallocated corporate income							20,985
Unallocated corporate expenses							<u>(85,811)</u>
Profit for the year from continuing operations							<u>387,857</u>

The segment revenue represents the Group's share of joint ventures' toll revenue received and receivable (net of business tax or value-added tax) from the operations of toll expressways in the PRC based on the profit/cash sharing ratios specified in the relevant joint venture agreements for the relevant periods. All of the segment revenue reported above is earned from external customers.

Other income, toll operation expenses, administrative expenses, EBITDA, depreciation of property, plant and equipment (included in depreciation and amortisation), finance costs and enterprise income tax expenses (included in income tax expenses) represent the Group's share of other income, toll operation expenses, administrative expenses, EBITDA, depreciation of property, plant and equipment, finance costs and enterprise income tax expenses from the operations of toll expressways in the PRC based on the profit/cash sharing ratios specified in the relevant joint venture agreements. Amortisation of concession intangible assets (included in depreciation and amortisation) and related deferred tax expenses (included in income tax expenses) represent the Group's share of amortisation of concession intangible assets and related deferred tax expenses of toll expressways in the PRC based on the equity contribution ratios specified in the relevant joint venture agreements.

The segment results represent the Group's share of joint ventures' results from the operations of toll expressways in the PRC based on the calculation specified in above. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. The accounting policies applied by the joint ventures are in conformity with HKFRSs.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the Historical Financial Information as they are not regularly provided to chief operating decision maker for the purpose of resource allocation and performance assessment.

Geographical information

The operations of the Group's joint ventures are located in the PRC. All of the Group's joint ventures generated revenue from external customers, which was generated from the services provided in the PRC. No geographical information of location of assets is disclosed as the non-current assets excluding those relating to discontinued operation, interest in joint ventures and financial assets are very insignificant to the Group.

7. OTHER INCOME

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Continuing operations			
Interest income from:			
Bank deposits	473	612	1,616
Loans to joint ventures	20,807	14,454	9,071
Management fee income	6,891	8,003	7,643
Rental income	—	2,395	2,579
Others	783	—	33
	<u>28,954</u>	<u>25,464</u>	<u>20,942</u>

8. SHARE OF RESULTS OF JOINT VENTURES

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Continuing operations			
Share of profits of infrastructure joint ventures before amortisation of concession intangible assets of joint ventures	433,910	529,146	697,128
Less: amortisation of concession intangible assets of joint ventures	(191,133)	(221,225)	(244,445)
	<u>242,777</u>	<u>307,921</u>	<u>452,683</u>

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Continuing operations			
PRC Enterprise Income Tax ("EIT")			
EIT of a PRC subsidiary	1,139	780	—
Overprovision of EIT in prior year	—	—	(636)
PRC withholding tax	15,111	39,806	16,771
	16,250	40,586	16,135
Deferred tax	12,852	(14,379)	8,295
	<u>29,102</u>	<u>26,207</u>	<u>24,430</u>

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as there was no assessable profit derived from or arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of a PRC subsidiary is 25% during the Track Record Period.

The PRC withholding tax of the Group for the Track Record Period represented the 5% withholding tax imposed on dividends declared during the Track Record Period by joint ventures of the Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of joint ventures. The amount included the underprovision of PRC withholding tax in prior years of HK\$12,214,000, HK\$4,368,000 and nil for the years ended 31 December 2014, 2015 and 2016, respectively in respect of certain income derived in the PRC and received by the Group before the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per combined statements of profit or loss as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation (from continuing operations)	214,193	276,731	412,287
Tax at PRC EIT rate of 25%	53,548	69,183	103,072
Tax effect of expenses not deductible for tax purposes	9,570	9,232	10,412
Tax effect of income not taxable for tax purposes	(1,285)	(655)	(313)
Tax effect of share of results of joint ventures	(60,694)	(76,980)	(113,171)
Overprovision of EIT in prior year	—	—	(636)
Withholding tax on earnings distributed/distributable by joint ventures	27,963	25,427	25,066
Income tax expense for the year (relating to continuing operations)	<u>29,102</u>	<u>26,207</u>	<u>24,430</u>

10. PROFIT FOR THE YEAR

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit for the year from continuing operations has been arrived at after charging (crediting):			
Auditors' remuneration (note)	—	—	—
Exchange gain	(755)	(23)	(43)
Depreciation of property, plant and equipment	176	284	248
Minimum lease payments under operating leases	5,830	6,141	6,247
Less: reimbursement from a fellow subsidiary	(2,696)	(1,813)	(1,110)
	3,134	4,328	5,137
Staff costs (including directors' emoluments)			
Staff salaries excluding retirement benefit contribution	42,203	42,323	34,117
Retirement benefit contributions	3,306	3,605	3,433
	45,509	45,928	37,550

Note: The auditors' remuneration of the Group for the Track Record Period was borne by RKI as the amount involved was minimal and no apportionment was made.

11. DISCONTINUED OPERATION

As detailed in note 2, the Disposal Group was disposed by the Group to RKI on 28 September 2016 and thereafter, the Group no longer engaged in the toll highway operation in the PRC. The disposal was effected in order to rationalise the group structure for listing purpose and focus the Group's principal activity in development, operation and management of toll expressways in the PRC.

The results of the Disposal Group for the Track Record Period, which have been included in the combined statement of profit or loss, were as follows:

	Year ended 31 December		For the period from 1 January 2016 to 28 September 2016
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Other income	3	9	1
Gain on disposal of joint ventures (note a)	—	2,145	—
Other gains and losses	—	(2)	(5)
Administrative expenses	(5,182)	(5,510)	(4,409)
Share of results of joint ventures	(58,262)	(33,373)	(25,740)
Loss before taxation	(63,441)	(36,731)	(30,153)
Income tax expense (note b)	(2,670)	(2,097)	(1,104)
Loss for the year (note c)	(66,111)	(38,828)	(31,257)
Net operating cash outflows	(9,058)	(7,620)	(6,892)
Net investing cash inflows	33,227	37,060	16,734
Net financing cash outflows	(24,175)	(29,519)	(10,038)

Notes:

(a) During the year ended 31 December 2015, the Group entered into a sale and purchase agreement to dispose its 70% equity interest in Guangxi Lutong Highway Development Co., Ltd. to the PRC joint venture partner at a cash consideration of HK\$35,934,000, resulting in a gain on disposal of a joint venture of HK\$2,145,000. HK\$32,341,000 has been received by the Group in 2015, after netting off with the related costs of disposal amounted to HK\$3,593,000. All the board decisions of Guangxi Lutong Highway Development Co., Ltd. on relevant activities required the unanimous consent from the Group and the PRC joint venture partner and therefore, it was considered as the joint venture of the Group.

(b) Below is the analysis of income tax expense relating to discontinued operation:

	Year ended 31 December		For the period from 1 January 2016 to 28 September 2016
	2014	2015	
	HK\$'000	HK\$'000	HK\$'000
PRC withholding tax	4,382	2,116	922
Deferred tax	(1,712)	(19)	182
	<u>2,670</u>	<u>2,097</u>	<u>1,104</u>

(c) Loss for the year from discontinued operation include the following:

	Year ended 31 December		For the period from 1 January 2016 to 28 September 2016
	2014	2015	
	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	—	—	—
Exchange gain	—	—	1
Depreciation of property, plant and equipment	6	5	1
Loss on disposal of property, plant and equipment	—	2	6
Staff costs			
Directors' emoluments	—	—	—
Other staff costs			
Staff salaries and allowance	4,719	3,840	3,176
Retirement benefit contributions	935	869	593
	<u>5,654</u>	<u>4,709</u>	<u>3,769</u>

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The assets and liabilities attributable to the toll expressway operation of the Group and toll highway operation of the Disposal Group as at 31 December 2014 and 2015 were as follows:

<u>At 31 December 2014</u>	<u>Toll expressway operation</u> HK\$'000	<u>Toll highway operation</u> HK\$'000	<u>Combined total</u> HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	898	7	905
Interests in joint ventures	3,610,502	394,224	4,004,726
Loans to joint ventures	206,460	—	206,460
	<u>3,817,860</u>	<u>394,231</u>	<u>4,212,091</u>
CURRENT ASSETS			
Other receivables and prepayments	2,265	184,675	186,940
Amount due from a fellow subsidiary	645,789	—	645,789
Loans to joint ventures	146,675	—	146,675
Bank balances and cash	100,730	709	101,439
	<u>895,459</u>	<u>185,384</u>	<u>1,080,843</u>
CURRENT LIABILITIES			
Other payables and accruals	3,712	697	4,409
Amount due to ultimate holding company	383,707	26	383,733
Amount due to a joint venture	46,459	—	46,459
	<u>433,878</u>	<u>723</u>	<u>434,601</u>
NET CURRENT ASSETS	<u>461,581</u>	<u>184,661</u>	<u>646,242</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,279,441</u>	<u>578,892</u>	<u>4,858,333</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities	30,436	12,093	42,529
NET ASSETS	<u>4,249,005</u>	<u>566,799</u>	<u>4,815,804</u>
<u>At 31 December 2015</u>	<u>Toll expressway operation</u> HK\$'000	<u>Toll highway operation</u> HK\$'000	<u>Combined total</u> HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	634	6	640
Interests in joint ventures	3,352,486	276,228	3,628,714
Loans to joint ventures	148,793	—	148,793
	<u>3,501,913</u>	<u>276,234</u>	<u>3,778,147</u>
CURRENT ASSETS			
Other receivables and prepayments	3,807	177,469	181,276
Amount due from a fellow subsidiary	711,437	—	711,437
Loans to joint ventures	134,976	—	134,976
Bank balances and cash	156,356	630	156,986
	<u>1,006,576</u>	<u>178,099</u>	<u>1,184,675</u>
CURRENT LIABILITIES			
Other payables and accruals	4,137	669	4,806
Amount due to ultimate holding company	462,848	25	462,873
Income tax payable	463	—	463
	<u>467,448</u>	<u>694</u>	<u>468,142</u>
NET CURRENT ASSETS	<u>539,128</u>	<u>177,405</u>	<u>716,533</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,041,041</u>	<u>453,639</u>	<u>4,494,680</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities	15,303	11,602	26,905
NET ASSETS	<u>4,025,738</u>	<u>442,037</u>	<u>4,467,775</u>

12. DIRECTORS', EMPLOYEES', KEY MANAGEMENT AND CHIEF EXECUTIVE'S
EMOLUMENTS

For the year ended 31 December 2014	Directors' fee	Salaries and allowances	Performance related bonus	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zen Wai Pao, William (director)	—	1,851	3,702	185	5,738
Zen Wei Peu (key management)	—	—	—	—	—
Ko Yuk Bing (key management and chief executive)	—	233	—	23	256
Fong Shiu Leung, Keter (key management)	—	174	—	17	191
Chan Kam Hung (key management)	—	174	—	17	191
Yu Kam Fat (director)	—	2,706	600	261	3,567
Lee Tak Fai (director)	—	—	—	—	—
	—	5,138	4,302	503	9,943
	—	—	—	—	—
For the year ended 31 December 2015	Directors' fee	Salaries and allowances	Performance related bonus	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zen Wai Pao, William (director)	—	1,513	3,026	151	4,690
Zen Wei Peu (key management)	—	—	—	—	—
Ko Yuk Bing (key management and chief executive)	—	190	—	19	209
Fong Shiu Leung, Keter (key management)	—	142	—	14	156
Chan Kam Hung (key management)	—	142	—	14	156
Yu Kam Fat (director)	—	2,826	600	273	3,699
Lee Tak Fai (director)	—	—	—	—	—
	—	4,813	3,626	471	8,910
	—	—	—	—	—
For the year ended 31 December 2016	Directors' fee	Salaries and allowances	Performance related bonus	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zen Wai Pao, William (director)	—	1,206	2,412	121	3,739
Zen Wei Peu (key management)	—	—	—	—	—
Ko Yuk Bing (key management and chief executive)	—	236	—	24	260
Fong Shiu Leung, Keter (key management)	—	177	—	18	195
Chan Kam Hung (key management)	—	177	—	18	195
Yu Kam Fat (director)	—	2,910	500	281	3,691
Lee Tak Fai (director)	—	—	—	—	—
	—	4,706	2,912	462	8,080
	—	—	—	—	—

Notes:

- (a) Zen Wai Pao, William, Lee Tak Fai and Yu Kam Fat were appointed as the directors of the Company on 1 December 2016. Yu Kam Fat was an employee of the Group before the appointment as a director of the Company. The time spent on the Group by Lee Tak Fai as an employee was not significant during the Track Record Period and his remuneration was borne by the ultimate holding company and no allocation was made.
- (b) Zen Wai Pao, William, Zen Wei Peu, Ko Yuk Bing, Fong Shiu Leung, Keter and Chan Kam Hung are the directors of RKC during the Track Record Period. Their emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive.

Performance related bonus were determined by the management having regard to the individual performance.

There was no arrangement under which a director or the Chief Executive waived or agreed to waive any remuneration during the Track Record Period.

Employees' emoluments:

The five highest paid individuals of the Group for the years ended 31 December 2014, 2015 and 2016 included two, two and two directors, respectively, details of whose emoluments are set out in above. Details of the emoluments of the remaining three, three and three individuals for the years ended 31 December 2014, 2015 and 2016 respectively, are as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	3,481	3,962	3,421
Performance related bonus	517	503	460
Retirement benefit contributions	229	240	359
	<u>4,227</u>	<u>4,705</u>	<u>4,240</u>

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
HK\$1,000,001 to HK\$1,500,000	2	1	3
HK\$1,500,001 to HK\$2,000,000	1	2	—
	<u> </u>	<u> </u>	<u> </u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or chief executive or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No dividend has been paid or proposed by the Company since its incorporation.

The dividends paid by RKC to RKL for the years ended 31 December 2014, 2015 and 2016 were HK\$504,414,000 (HK\$0.252 per share), HK\$376,411,000 (HK\$0.188 per share) and nil, respectively.

14. EARNINGS PER SHARE

The Group Reorganisation has not been completed during the Track Record Period, no earnings per share for the Track Record Period is presented as its inclusion is considered not meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 January 2014	74	836	439	1,349
Additions	—	585	—	585
Exchange adjustments	—	3	1	4
At 31 December 2014	74	1,424	440	1,938
Additions	—	53	—	53
Disposals	—	(36)	—	(36)
Exchange adjustments	(3)	(55)	(17)	(75)
At 31 December 2015	71	1,386	423	1,880
Additions	—	26	—	26
Disposals	—	(12)	—	(12)
Eliminated on disposal of subsidiaries	—	(21)	—	(21)
Exchange adjustments	(5)	(90)	(28)	(123)
At 31 December 2016	66	1,289	395	1,750
ACCUMULATED DEPRECIATION				
At 1 January 2014	74	670	104	848
Charge for the year	—	99	83	182
Exchange adjustments	—	2	1	3
At 31 December 2014	74	771	188	1,033
Charge for the year	—	206	83	289
Eliminated on disposals	—	(34)	—	(34)
Exchange adjustments	(3)	(35)	(10)	(48)
At 31 December 2015	71	908	261	1,240
Charge for the year	—	170	79	249
Eliminated on disposals	—	(6)	—	(6)
Eliminated on disposal of subsidiaries	—	(19)	—	(19)
Exchange adjustments	(5)	(67)	(21)	(93)
At 31 December 2016	66	986	319	1,371
CARRYING VALUES				
At 31 December 2014	—	653	252	905
At 31 December 2015	—	478	162	640
At 31 December 2016	—	303	76	379

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold improvements	Over the term of the lease or 20 years, whichever is shorter
Furniture, fixture and equipment	10% - 25%
Motor vehicles	12.5% - 25%

16. INTERESTS IN JOINT VENTURES

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cost of investments (note a)	5,341,862	4,950,224	3,867,942
Share of post-acquisition profits, net of dividends received	1,102,228	1,059,404	1,306,848
Return of cost of investments (note b)	(3,560,216)	(3,263,799)	(2,364,298)
Exchange adjustments	1,120,852	882,885	413,698
	<u>4,004,726</u>	<u>3,628,714</u>	<u>3,224,190</u>

Notes:

- (a) The Group agreed the equity contributions with the PRC joint venture partners according to the joint venture agreements. Other than Longcheng Expressway JV and Machao Expressway JV, in addition to the joint venture agreements, the Group has entered into shareholders' loan agreements with the PRC joint venture partners pursuant to which certain amount of the capital contribution included in the joint venture agreements would be injected to the joint ventures in the form of the shareholders' loan proportionately. In the opinion of the directors, the joint ventures have no repayment obligations to repay the contributed amount as stipulated in the shareholders' loan agreements during and at the expiry date of the joint venture period based on the terms of the shareholders' loan agreements. The returns of the total contributions made by the Group as stipulated in the joint venture agreements depend on the financial performance of joint ventures and considered as equity contributions in substance.
- (b) Pursuant to the joint venture agreements, the infrastructure joint ventures distribute the cash surplus to the Group and the other venturers based on the agreed profit/cash sharing ratio for cash distributions. The cash surplus is determined by the joint venture partners with reference to the toll receipt less various expenses (not including depreciation and amortisation) and budgeted capital expenditure of joint ventures, other than the cash distributed to the joint venture partners in the form of dividend. The actual amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.

All joint ventures are co-operative joint ventures established and operating in the PRC, details of the Company's principal joint ventures at 31 December 2014, 31 December 2015 and 31 December 2016 are as follows:

Name of joint venture	Registered capital	The Group's equity interest in joint ventures			Principal activities
		At 31 December			
		2014	2015	2016	
Hebei Baofa Expressway Co., Ltd. 河北保發高速公路有限公司 (note 2)	RMB96,287,600	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC
Hebei Baofeng Expressway Co., Ltd. 河北保豐高速公路有限公司 (note 2)	RMB95,700,000	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Rongcheng—Xiongxian Section) in Hebei, the PRC
Hebei Baohui Expressway Co., Ltd. 河北保惠高速公路有限公司 (note 2)	RMB96,007,600	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC
Hebei Baojie Expressway Co., Ltd. 河北保捷高速公路有限公司 (note 2)	RMB97,262,000	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Xiongxian—Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd. 河北保津高速公路有限公司 (note 2)	RMB96,843,600	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Xushui—Rongcheng Section) in Hebei, the PRC

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		At 31 December			
		2014	2015	2016	
Hebei Baoli Expressway Co., Ltd. 河北保利高速公路有限公司 (note 2)	RMB97,359,600	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Xiongxin East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd. 河北保明高速公路有限公司 (note 2)	RMB90,030,400	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Bazhou—Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd. 河北保昇高速公路有限公司 (note 2)	RMB96,507,600	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Xiongxin Section) in Hebei, the PRC
Hebei Baoyi Expressway Co., Ltd. 河北保怡高速公路有限公司 (note 2)	RMB96,575,200	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Rongcheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd. 河北保裕高速公路有限公司 (note 2)	RMB97,426,400	40%	40%	40%	Investment in and operation and management of Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Company Limited 河北唐惠高速公路有限公司 (note 3)	RMB287,324,000	45%	45%	45%	Investment in and operation and management of Tangjin Expressway (Chenzhuang—Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Company Limited 河北唐津高速公路有限公司 (note 3)	RMB250,300,000	45%	45%	45%	Investment in and operation and management of Tangjin Expressway (Fengnan—Jijinjie Section) in Hebei, the PRC
Hebei Tangrun Expressway Company Limited 河北唐潤高速公路有限公司 (note 3)	RMB172,524,000	45%	45%	45%	Investment in and operation and management of Tangjin Expressway (Shuangmiao—Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司 (note 4)	RMB97,011,500	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Baining Section) in Hunan, the PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司 (note 4)	RMB98,985,400	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Cangyi Section) in Hunan, the PRC
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司 (note 4)	RMB98,553,500	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Changbai Section) in Hunan, the PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司 (note 4)	RMB101,695,200	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Hengchang Section) in Hunan, the PRC

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		At 31 December			
		2014	2015	2016	
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司 (note 4)	RMB98,458,100	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Ningheng Section) in Hunan, the PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司 (note 4)	RMB78,328,300	43.17%	43.17%	43.17%	Investment in and development, operation and management of Changyi Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC
Jinzhong Longcheng Expressway Co., Ltd. ("Longcheng Expressway JV") 晉中龍城高速公路有限責任公司 (note 5)	RMB1,467,000,000	45%	45%	45%	Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC
Anhui Machao Expressway Co., Ltd. ("Machao Expressway JV") 安徽省馬巢高速公路有限公司 (note 6)	RMB575,000,000	49%	49%	49%	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC

Notes:

- Except for Longcheng Expressway JV and Machao Expressway JV, the profit/cash sharing ratios in other infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other venturers of the joint ventures are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements.
- These joint ventures are collectively known as Baojin Expressway JV. The operation period is 30 years and will expire on 2 September 2033. At the end of the operation period, all the immovable assets and infrastructure facilities of Baojin Expressway JV shall be transferred to the PRC joint venture partner without compensation. According to the joint venture agreements of Baojin Expressway JV, the Group is entitled to 40% profit/cash sharing ratio throughout the Track Record Period and up to the end of the operation period. The Group has 4 board seats out of 10 in the board of directors and the quorum for board meetings required two-thirds of the total number of directors and at least one director from each of the parties to the joint venture. The board decisions need to be approved by at least two-third of the directors present at the meeting, except for certain significant matters that need to be approved by all the directors present at the meeting.
- These joint ventures are collectively known as Tangjin Expressway JV. The operation period is 18 years and will expire on 30 January 2023. At the end of the operation period, all the immovable assets and infrastructure facilities of Tangjin Expressway JV shall be transferred to the PRC joint venture partner without compensation. According to the joint venture agreements of Tangjin Expressway JV, the Group was entitled to 30% profit/cash sharing ratio starting from February 2009 and changed to 45% profit/cash sharing ratio starting from February 2016 and up to the end of the operation period. The Group has 3 board seats out of 7 in the board of directors and the quorum for board meetings required two-thirds of the total number of directors and at least one director from each of the parties to the joint venture. The board decisions need to be approved by at least two-third of the directors present at the meeting, except for certain significant matters that need to be approved by all the directors present at the meeting.
- These joint ventures are collectively known as Changyi Expressway JV. The operation period is 27 years and will expire on 13 October 2024. At the end of the operation period, all the immovable assets and infrastructure facilities of Changyi Expressway JV shall be transferred to the PRC joint venture partner without compensation. According to the joint venture agreements of Changyi Expressway JV, the Group is entitled to 50% profit/cash sharing ratio throughout the Track Record Period and up to the end of the operation period. The Group has 3 board seats out of 7 in the board of directors and the quorum for board meetings required two-thirds of the total number of directors and at least one director from each of the parties to the joint venture. The board decisions need to be approved by at least two-third of the directors of the board, except for certain significant matters that need to be approved by all the directors of the board.

Hunan Changyi Expressway Co., Ltd. has a wholly-owned subsidiary established in the PRC named Hunan Xiangyi Investment Property Company Limited (湖南省湘益投資置業有限公司) engaging in advertising business in the PRC and its contributions to the Group's revenue, profit and cash flows is insignificant during the Track Record Period.

- (5) The operation period of Longcheng Expressway JV is 30 years and will expire on 17 June 2041. At the end of the operation period, all the immovable assets and infrastructure facilities of Longcheng Expressway JV shall be transferred to the PRC joint venture partner without compensation. According to the joint venture agreement of Longcheng Expressway JV, the Group is entitled to 45% profit/cash sharing ratio throughout the whole operation period, which is the same as the equity contribution ratio of the Group. The Group has 3 board seats out of 8 in the board of directors and the quorum for board meetings required two-thirds of the total number of directors and at least one director from each of the parties to the joint venture. The board decisions need to be approved by at least two-third of the directors present at the meeting, except for certain significant matters that need to be approved by all the directors present at the meeting.
- (6) In January 2014, the Group entered into sale and purchase agreement with the PRC joint venture partner of Machao Expressway JV to acquire 49% of equity interest in Machao Expressway JV at a cash consideration of HK\$343,043,000. The acquisition was completed in May 2014. The operation period of Machao Expressway JV is 30 years and will expire on 22 May 2044. At the end of the operation period, all the immovable assets and infrastructure facilities of Machao Expressway JV shall be transferred to the PRC joint venture partner without compensation. According to the joint venture agreement of Machao Expressway JV, the Group is entitled to 49% profit/cash sharing ratio throughout the whole operation period, which is the same as the equity contribution ratio of the Group. The Group has 2 board seats out of 5 in the board of directors and the quorum for board meetings required two-thirds of the total number of directors and at least one director from each of the parties to the joint venture. The board decisions need to be approved by at least two-third of the directors present at the meeting, except for certain significant matters that need to be approved by all the directors of the board.

Although the acquisition of equity interest in Machao Expressway JV was completed in May 2014, the PRC joint venture partner has requested additional consideration for such acquisition in addition to the amount already paid by the Group according to the sale and purchase agreement and continuously negotiated with the Group subsequent to the acquisition. The consensus has been reached in March 2016 and the additional consideration of HK\$165,718,000 was agreed pursuant to the agreement entered into among the Group, the PRC joint venture partner and the subsidiary of the PRC joint venture partner ("Party A"), and was to set off with the deferred consideration due from the Party A arisen from disposal of certain joint ventures in 2013. Details of the disposal of joint ventures were set out in note 18.

The above table lists the joint ventures of the Group engaging in expressways operation which, in opinion of the directors of the Company, principally affected the results of the Track Record Period or form a substantial portion of the net assets of the Group. To give details of the joint ventures of the Disposal Group would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures and reconciliation of the summarised financial information to the carrying amount of the interests in joint ventures recognised in the Historical Financial Information are set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

At 31 December 2014	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current Assets						
Property and equipment	162,505	146,355	41,474	12,389	177,751	540,474
Concession intangible assets . . .	2,492,403	1,379,630	1,726,822	5,351,411	3,152,677	14,102,943
	<u>2,654,908</u>	<u>1,525,985</u>	<u>1,768,296</u>	<u>5,363,800</u>	<u>3,330,428</u>	<u>14,643,417</u>
Current Assets						
Bank balances and cash	162,761	120,186	131,360	354,800	21,270	790,377
Amounts due from joint venture partners	—	154,862	—	—	—	154,862
Others	21,957	99,732	65,241	14,247	22,036	223,213
	<u>184,718</u>	<u>374,780</u>	<u>196,601</u>	<u>369,047</u>	<u>43,306</u>	<u>1,168,452</u>
Current Liabilities						
Loans from joint venture partners	—	—	51,624	196,701	38,071	286,396
Bank borrowings	—	—	51,624	177,665	126,904	356,193
Others	94,222	72,958	85,932	284,492	216,058	753,662
	<u>94,222</u>	<u>72,958</u>	<u>189,180</u>	<u>658,858</u>	<u>381,033</u>	<u>1,396,251</u>
Net Current Assets (Liabilities)	<u>90,496</u>	<u>301,822</u>	<u>7,421</u>	<u>(289,811)</u>	<u>(337,727)</u>	<u>(227,799)</u>
Total Assets less Current Liabilities	<u>2,745,404</u>	<u>1,827,807</u>	<u>1,775,717</u>	<u>5,073,989</u>	<u>2,992,701</u>	<u>14,415,618</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	206,460	—	1,890,875	2,097,335
Bank borrowings	—	—	206,460	3,362,944	—	3,569,404
Deferred taxation	263,073	34,783	180,148	80,423	—	558,427
	<u>263,073</u>	<u>34,783</u>	<u>593,068</u>	<u>3,443,367</u>	<u>1,890,875</u>	<u>6,225,166</u>
Net Assets of Joint Ventures	<u>2,482,331</u>	<u>1,793,024</u>	<u>1,182,649</u>	<u>1,630,622</u>	<u>1,101,826</u>	<u>8,190,452</u>
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	992,932	806,861	510,550	733,780	539,895	3,584,018
Other adjustments (Note)	54,523	(28,969)	930	—	—	26,484
Carrying amount of the Group's interests in joint ventures	<u>1,047,455</u>	<u>777,892</u>	<u>511,480</u>	<u>733,780</u>	<u>539,895</u>	<u>3,610,502</u>

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current Assets						
Property and equipment	134,033	145,725	43,544	11,400	162,130	496,832
Concession intangible assets	2,331,878	1,304,765	1,467,304	5,145,119	3,036,306	13,285,372
	<u>2,465,911</u>	<u>1,450,490</u>	<u>1,510,848</u>	<u>5,156,519</u>	<u>3,198,436</u>	<u>13,782,204</u>
Current Assets						
Time deposit	—	—	48,780	—	—	48,780
Bank balances and cash	247,414	296,002	82,208	130,584	48,366	804,574
Others	15,640	86,787	49,845	46,124	11,713	210,109
	<u>263,054</u>	<u>382,789</u>	<u>180,833</u>	<u>176,708</u>	<u>60,079</u>	<u>1,063,463</u>
Current Liabilities						
Loans from joint venture partners	—	—	49,610	189,024	—	238,634
Bank borrowings	—	—	49,610	24,390	16,220	90,220
Others	102,954	121,282	76,995	185,488	100,458	587,177
	<u>102,954</u>	<u>121,282</u>	<u>176,215</u>	<u>398,902</u>	<u>116,678</u>	<u>916,031</u>
Net Current Assets (Liabilities)	<u>160,100</u>	<u>261,507</u>	<u>4,618</u>	<u>(222,194)</u>	<u>(56,599)</u>	<u>147,432</u>
Total Assets less Current Liabilities ...	<u>2,626,011</u>	<u>1,711,997</u>	<u>1,515,466</u>	<u>4,934,325</u>	<u>3,141,837</u>	<u>13,929,636</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	148,793	—	—	148,793
Bank borrowings	—	—	148,792	3,365,854	2,073,780	5,588,426
Deferred taxation	266,549	36,098	166,872	107,207	—	576,726
	<u>266,549</u>	<u>36,098</u>	<u>464,457</u>	<u>3,473,061</u>	<u>2,073,780</u>	<u>6,313,945</u>
Net Assets of Joint Ventures	<u>2,359,462</u>	<u>1,675,899</u>	<u>1,051,009</u>	<u>1,461,264</u>	<u>1,068,057</u>	<u>7,615,691</u>
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	943,785	754,155	453,720	657,569	523,348	3,332,577
Other adjustments (Note)	52,906	(37,606)	4,609	—	—	19,909
Carrying amount of the Group's interests in joint ventures	<u>996,691</u>	<u>716,549</u>	<u>458,329</u>	<u>657,569</u>	<u>523,348</u>	<u>3,352,486</u>

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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At 31 December 2016	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current Assets						
Property and equipment	105,725	115,059	39,452	10,156	133,931	404,323
Concession intangible assets	2,082,220	1,075,102	1,192,286	4,777,834	2,816,204	11,943,646
	<u>2,187,945</u>	<u>1,190,161</u>	<u>1,231,738</u>	<u>4,787,990</u>	<u>2,950,135</u>	<u>12,347,969</u>
Current Assets						
Time deposit	—	—	45,558	—	—	45,558
Bank balances and cash	240,923	359,971	109,215	161,587	65,761	937,457
Others	14,241	16,905	48,129	46,093	1,701	127,069
	<u>255,164</u>	<u>376,876</u>	<u>202,902</u>	<u>207,680</u>	<u>67,462</u>	<u>1,110,084</u>
Current Liabilities						
Loans from joint venture partners	—	—	46,332	176,538	—	222,870
Bank borrowings	—	—	46,332	45,558	18,793	110,683
Others	101,507	100,776	77,904	184,873	76,639	541,699
	<u>101,507</u>	<u>100,776</u>	<u>170,568</u>	<u>406,969</u>	<u>95,432</u>	<u>875,252</u>
Net Current Assets (Liabilities)	153,657	276,100	32,334	(199,289)	(27,970)	234,832
Total Assets less Current Liabilities ...	<u>2,341,602</u>	<u>1,466,261</u>	<u>1,264,072</u>	<u>4,588,701</u>	<u>2,922,165</u>	<u>12,582,801</u>
Non-current Liabilities						
Loans from a joint venture partner	—	—	92,631	—	—	92,631
Bank borrowings	—	—	92,631	3,097,950	1,889,521	5,080,102
Deferred taxation	260,464	35,138	147,773	105,624	—	548,999
	<u>260,464</u>	<u>35,138</u>	<u>333,035</u>	<u>3,203,574</u>	<u>1,889,521</u>	<u>5,721,732</u>
Net Assets of Joint Ventures	2,081,138	1,431,123	931,037	1,385,127	1,032,644	6,861,069
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	832,455	644,005	401,929	623,307	505,995	3,007,691
Additional investment cost paid by the Group	—	—	—	—	164,428	164,428
Other adjustments (Note)	49,889	(10,353)	12,535	—	—	52,071
Carrying amount of the Group's interests in joint ventures	<u>882,344</u>	<u>633,652</u>	<u>414,464</u>	<u>623,307</u>	<u>670,423</u>	<u>3,224,190</u>

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

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For the year ended 31 December 2014	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000
Toll revenue (net of business tax or value- added tax)	706,207	598,413	652,852	207,386	89,710	2,254,568
Construction revenue	52,753	184,262	—	241,637	205,040	683,692
Total revenue	758,960	782,675	652,852	449,023	294,750	2,938,260
Construction costs	(52,753)	(184,262)	—	(241,637)	(205,040)	(683,692)
Other income	5,259	501	4,420	6,246	1,263	17,689
Toll operation expenses ..	(106,403)	(70,630)	(85,857)	(29,734)	(3,898)	(296,522)
Administrative expenses	(31,625)	(32,694)	(26,401)	(13,711)	(3,639)	(108,070)
Depreciation and amortisation charges . . .	(126,586)	(129,213)	(188,901)	(45,362)	(18,114)	(508,176)
Finance costs	—	—	(40,075)	(239,294)	(89,503)	(368,872)
Income tax expenses	(110,503)	(94,881)	(83,720)	(31,197)	—	(320,301)
Profit (loss) and total comprehensive income (expenses) for the year	<u>336,349</u>	<u>271,496</u>	<u>232,318</u>	<u>(145,666)</u>	<u>(24,181)</u>	<u>670,316</u>
Cash distributions received from joint ventures during the year	<u>224,512</u>	<u>47,658</u>	<u>140,977</u>	<u>—</u>	<u>—</u>	<u>413,147</u>

Note: They represented the results for the period from the date of acquisition in 1 June 2014 to 31 December 2014.

For the year ended 31 December 2015	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll revenue (net of business tax or value- added tax)	772,250	668,414	709,610	242,024	186,899	2,579,197
Construction revenue	47,407	98,372	—	49,854	30,110	225,743
Total revenue	819,657	766,786	709,610	291,878	217,009	2,804,940
Construction costs	(47,407)	(98,372)	—	(49,854)	(30,110)	(225,743)
Other income	5,972	4,313	4,340	3,555	4,574	22,754
Toll operation expenses ..	(131,679)	(86,832)	(99,061)	(48,585)	(10,150)	(376,307)
Administrative expenses	(27,527)	(31,990)	(31,222)	(10,628)	(8,336)	(109,703)
Depreciation and amortisation charges . . .	(141,976)	(149,248)	(204,331)	(45,757)	(34,669)	(575,981)
Finance costs	—	—	(27,608)	(218,356)	(128,821)	(374,785)
Income tax expenses	(121,556)	(101,769)	(88,575)	(29,923)	—	(341,823)
Profit (loss) and total comprehensive income (expenses) for the year	<u>355,484</u>	<u>302,888</u>	<u>263,153</u>	<u>(107,670)</u>	<u>9,497</u>	<u>823,352</u>
Cash distributions received from joint ventures during the year	<u>148,604</u>	<u>102,464</u>	<u>164,565</u>	<u>—</u>	<u>—</u>	<u>415,633</u>

APPENDIX I
**ACCOUNTANTS' REPORT ON HISTORICAL
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For the year ended 31 December 2016	Baojin Expressway JV	Tangjin Expressway JV	Changyi Expressway JV	Longcheng Expressway JV	Machao Expressway JV	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll revenue (net of business tax or value- added tax)	794,770	612,174	749,776	316,630	220,233	2,693,583
Construction revenue	17,868	—	—	28,629	13,083	59,580
Total revenue	812,638	612,174	749,776	345,259	233,316	2,753,163
Construction costs	(17,868)	—	—	(28,629)	(13,083)	(59,580)
Other income	6,264	2,559	3,363	1,265	1,324	14,775
Toll operation expenses	(104,325)	(80,183)	(88,762)	(52,677)	(18,269)	(344,216)
Administrative expenses	(27,039)	(32,066)	(29,992)	(11,710)	(9,353)	(110,160)
Depreciation and amortisation charges	(143,481)	(181,796)	(191,797)	(59,786)	(52,206)	(629,066)
Finance costs	—	—	(17,470)	(166,204)	(104,866)	(288,540)
Income tax expenses	(127,420)	(81,496)	(107,819)	(5,768)	—	(322,503)
Profit and total comprehensive income for the year	<u>398,769</u>	<u>239,192</u>	<u>317,299</u>	<u>21,750</u>	<u>36,863</u>	<u>1,013,873</u>
Cash distributions received from joint ventures during the year	<u>200,949</u>	<u>134,185</u>	<u>168,564</u>	<u>—</u>	<u>—</u>	<u>503,698</u>

The interest income of the expressway joint ventures was insignificant during the Track Record Period and included in other income.

Aggregate information of joint ventures that are not individually material.

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The Group's share of profit from continuing operations	—	—	—
The Group's share of post-tax loss from discontinued operation	(58,262)	(33,373)	(25,740)
The Group's share of other comprehensive expense	—	—	—
The Group's share of total comprehensive expense	<u>(58,262)</u>	<u>(33,373)</u>	<u>(25,740)</u>

17. LOANS TO JOINT VENTURES

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Machao Expressway JV (note a)	6,218	—	—
Changyi Expressway JV (note b)	258,084	198,403	138,963
Longcheng Expressway JV (note c)	88,833	85,366	79,727
	353,135	283,769	218,690
Less: amounts due within one year shown under current assets	(146,675)	(134,976)	(126,059)
Amounts due after one year shown under non-current assets	<u>206,460</u>	<u>148,793</u>	<u>92,631</u>

Notes:

- (a) The amount was unsecured, carrying interest at a fixed rate of 6% per annum and fully repaid in 2015.
- (b) The loans are unsecured, carrying interest at 10% over PBOC prescribed interest rate. The amount included in non-current assets of HK\$206,460,000, HK\$148,793,000 and HK\$92,631,000, at 31 December 2014, 2015 and 2016, respectively is due in October 2019 and the remaining amount is due within one year at the end of each reporting period and included in current assets.
- (c) The amount is unsecured, interest-free and due within one year. The maturity date of the loan is renewed annually.

18. OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Deferred consideration on disposal of interests in a joint venture (Note)	180,959	176,555	—
Other receivables, deposits and prepayments	5,981	4,721	2,971
	<u>186,940</u>	<u>181,276</u>	<u>2,971</u>

Note: During the year ended 31 December 2013, the Group entered into sale and purchase agreement to dispose of its 50% equity interest in Anhui Road Universe Hefei Highway Development Co., Ltd., and 60% equity interests in Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited and Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited to the PRC joint venture partner ("Party A" as mentioned in note 16) at a total cash consideration of HK\$256,875,000. HK\$65,570,000 has been received by the Group in 2013, after netting off with the related costs of disposal amounted to HK\$9,430,000 and the remaining HK\$181,875,000 should be settled before March 2014 according to the sale and purchase agreement. The maturity date of the deferred consideration has been extended subsequently pursuant to certain supplementary agreements. In March 2016, pursuant to the agreement entered into among the Group, Party A and the holding company of Party A ("Party B"), the outstanding balance of deferred consideration of HK\$165,718,000 was fully settled by netting off with the additional costs for acquisition of 49% equity interest in Anhui Machao Expressway Co Ltd. by the Group in 2014 whereas the vendor of such acquisition was Party B.

19. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY, A FELLOW SUBSIDIARY AND A JOINT VENTURE

	At	At 31 December			Maximum outstanding amount during the year		
	1 January 2014	2014	2015	2016	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from:							
Ultimate holding company							
Road King Infrastructure Limited	444,685	—	—	118,862	444,685	—	118,862
Fellow subsidiary							
萬禦管理顧問(廣州)有限公司 . . .	244,883	645,789	711,437	628,206	645,789	711,437	711,437
Amounts due to:							
Ultimate holding company							
Road King Infrastructure Limited		383,733	462,873	—			
Joint venture							
Hebei Tangjin Expressway Company Limited		46,459	—	—			

The above amounts are unsecured, interest-free and repayable on demand. They are all non-trade in nature and they represented the intra-group financing between the Group and the ultimate holding company or fellow subsidiary.

20. BANK BALANCES AND CASH

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	255	358	823

The Group's bank balances carry interest at prevailing market rates which is 0.01%, 0.01% and 0.01% per annum at 31 December 2014, 2015 and 2016 respectively.

21. DEFERRED TAX LIABILITIES

The amounts represent the deferred tax liabilities in respect of the undistributed earnings of joint ventures. The movement of deferred tax liabilities during the Track Record Period are as follows:

	HK\$'000
At 1 January 2014	31,270
Charge to profit or loss	30,633
Reversed upon payment of withholding tax	(19,493)
Exchange adjustments	119
At 31 December 2014	42,529
Charge to profit or loss	27,524
Reversed upon payment of withholding tax	(41,922)
Exchange adjustments	(1,226)
At 31 December 2015	26,905
Charge to profit or loss	26,170
Reversed upon payment of withholding tax	(17,693)
Disposal of subsidiaries	(11,370)
Exchange adjustments	(1,812)
At 31 December 2016	22,200

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$4,467,000, HK\$7,439,000 and HK\$6,513,000 at 31 December 2014, 2015 and 2016 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. SHARE CAPITAL**The Group**

The issued share capital of the Group at 1 January 2014, 31 December 2014 and 2015 represented the combined share capital of RKC and Sincere Mind Management Limited and the issued share capital of the Group at 31 December 2016 represented the combined share capital of RKC and the Company.

The Company

	<u>Note</u>	<u>Number of shares</u>	<u>Share capital HK\$</u>
Ordinary shares of HK\$0.1 each			
On date of incorporation and at 31 December 2016	(a)	<u>100,000</u>	<u>10,000</u>
Issued:			
On date of incorporation		—	—
Issue on 1 December 2016	(a)	<u>1</u>	<u>0.1</u>
At 31 December 2016		<u>1</u>	<u>0.1</u>
Shown in the statement of financial position			<u>—</u>

Note:

(a) The Company was incorporated in the Bermuda on 16 November 2016 with an authorised share capital of HK\$10,000 divided into 100,000 shares of HK\$0.1 each. On 1 December 2016, 1 share was issued at par to New Select.

23. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising capital and reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS(a) Categories of financial instruments

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Financial assets			
Loan and receivables (including cash and cash equivalents)	<u>1,286,111</u>	<u>1,330,332</u>	<u>1,308,786</u>
Financial liabilities			
Amortised cost	<u>431,722</u>	<u>464,985</u>	<u>918</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include loans to joint ventures, other receivables, amounts due from ultimate holding company and a fellow subsidiary, amounts due to ultimate holding company and a joint venture, bank balances and cash and other payables. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk management

The Group's activities expose primarily to the market risks of changes in interest rates. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Track Record Period.

Interest rate risk management

The Group is exposed to fair value interest rate risk arising from fixed rate loans to a joint venture.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and the variable rate loan to a joint venture.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk and may consider to use in future should the need arise.

Interest rate sensitivity

Sensitivity analysis on bank balances is not presented as the directors of the Company consider that the exposure to interest rate fluctuation is insignificant.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate loan to joint venture at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If the interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 would increase/decrease by approximately HK\$1,936,000, HK\$1,488,000 and HK\$1,042,000, respectively.

Foreign currency risk management

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective group entities and therefore the Group is exposed to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	At 31 December		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Assets			
Hong Kong dollars	557	657	1,063
Liabilities			
Hong Kong dollars	2,879	2,694	4,415

Foreign currency sensitivity

Sensitivity analysis on foreign currency is not presented as the management of the Group considers that the exposure to foreign currency risk is insignificant in view of insignificant foreign currency denominated assets and liabilities.

Credit risk management

As at the end of each reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 27.

The management of the Group considers that the credit risk on liquid funds is low as counterparties are banks which do not have liquidity problem.

Other than the amounts due from ultimate holding company and a fellow subsidiary, loans to joint ventures and deferred consideration on disposal of interests in joint ventures as mentioned in note 18, the Group has no significant concentration of credit risk. The deferred consideration on disposal of interests in joint venture was fully settled in 2016. The fellow subsidiary is a wholly-owned subsidiary of RKL which engaging in property development business in the PRC with sound financial position and the management of the Company considers the credit risk of amounts due from ultimate holding company and the fellow subsidiary is low. The Group is able to exercise joint control on the relevant activities of the joint ventures with PRC joint venture partners to ensure the joint

ventures maintaining favourable financial position in order to reduce credit risk on loans to joint ventures. In addition, the management of the respective joint ventures closely monitor the financial position of the joint ventures and the repayment status of the loans to joint ventures and ensure that follow-up actions are taken to recover the overdue debts, in order to minimise the credit risk. The management is also responsible for reviewing the recoverable amount of individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is not significant.

Liquidity risk management

In the management of the liquidity risk, the Group monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the management of the Group who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes the principal cash flows.

Liquidity table

	Weighted average effective interest rate	On demand or within 60 days	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2014				
<i>Non-derivative financial liabilities</i>				
Other payables	—	1,530	1,530	1,530
Amount due to ultimate holding company	—	383,733	383,733	383,733
Amount due to a joint venture	—	46,459	46,459	46,459
Financial guarantee contracts	—	9,426,678	9,426,678	—
		<u>9,858,400</u>	<u>9,858,400</u>	<u>431,722</u>

	Weighted average effective interest rate	On demand or within 60 days	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2015				
<i>Non-derivative financial liabilities</i>				
Other payables	—	2,112	2,112	2,112
Amount due to ultimate holding company	—	462,873	462,873	462,873
Financial guarantee contracts	—	9,458,802	9,458,802	—
		<u>9,923,787</u>	<u>9,923,787</u>	<u>464,985</u>
	Weighted average effective interest rate	On demand or within 60 days	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2016				
<i>Non-derivative financial liabilities</i>				
Other payables	—	918	918	918
Financial guarantee contracts	—	9,389,600	9,389,600	—
		<u>9,390,518</u>	<u>9,390,518</u>	<u>918</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value measurements

Financial assets and financial liabilities not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

The fair values of financial assets and financial liabilities of the Group are determined as follows:

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty

extrapolated from market-based credit information and the amount of loss, given the default.

25. DISPOSAL OF SUBSIDIARIES

As detailed in note 2, the Disposal Group was disposed by RKC to RKI on 28 September 2016 at a cash consideration of approximately HK\$182,779,000. The consideration is settled through the current account with RKI. The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	2
Interests in joint ventures	224,654
Other receivables and prepayments	5
Bank balances and cash	434
Other payables and accruals	(646)
Amount due to RKC	(30,300)
Deferred tax liabilities	(11,370)
	<u>182,779</u>
Satisfied by:	
Net-off with amount due to ultimate holding company	<u>182,779</u>
Net cash outflow arising from bank balances and cash disposed of	<u>(434)</u>

The contributions of the Disposal Group to the Group's profit or loss and cash flows for the Track Record Period were disclosed in note 11.

26. OPERATING LEASE COMMITMENTS

As lessor

At the end of each reporting period, the Group had contracted with tenants for the sub-leasing of office space and the future minimum lease payments are as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	—	2,252	2,511
In the second to fifth year inclusive	—	3,024	278
	<u>—</u>	<u>5,276</u>	<u>2,789</u>

As lessee

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	531	4,046	4,020
In the second to fifth year inclusive	—	4,305	445
	<u>531</u>	<u>8,351</u>	<u>4,465</u>

The commitments represent rentals payable by the Group for its office premises with the lease periods ranging from one to three years.

Monthly rental was fixed and recognised over the terms of the leases.

27. CONTINGENT LIABILITIES

The Group provided joint financial guarantee with the ultimate holding company in respect of the banking facilities and senior notes granted to the ultimate holding company and fellow subsidiaries and the guaranteed amount to the related companies at 31 December 2014, 2015 and 2016 were HK\$9,426,678,000, HK\$9,458,802,000 and HK\$9,389,600,000, respectively.

In the opinion of the directors of the Company, the fair value of guarantee is insignificant.

28. RELATED PARTY BALANCES AND TRANSACTIONS

The amounts due from/to ultimate holding company, fellow subsidiary and joint venture and loans to joint ventures are disclosed in the combined statements of financial position and relevant notes. The Group also had the following significant related party transactions during the Track Record Period:

- (a) The Group had the following transactions with fellow subsidiaries and joint ventures during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Reimbursement of sharing office rental expense received from a fellow subsidiary			
King Sea Group Limited	2,696	1,813	1,110
Rental income from fellow subsidiaries			
深圳勤惠基金管理有限公司	—	179	391
思智貿易(深圳)有限公司	—	1,590	1,540
深圳市億文達投資管理有限公司	—	—	257
	—	1,769	2,188
Reimbursement of sharing utilities and other office administrative expenses received from a fellow subsidiary			
Road King Infrastructure Management Limited	578	566	36
	3,274	4,148	3,334
Reimbursement of sharing office rental expense paid to a fellow subsidiary			
Road King Infrastructure Management Limited	2,394	2,040	2,122
Reimbursement of sharing utilities and other office administrative expenses paid to a fellow subsidiary			
Road King Infrastructure Management Limited	18,822	10,695	8,097
	21,216	12,735	10,219
Management fee income from joint ventures			
Machao Expressway JV	—	754	665
Baojin Expressway JV	1,773	1,880	1,869
Tangjin Expressway JV	1,970	1,997	2,051
Changyi Expressway JV	1,550	1,567	1,603
Longcheng Expressway JV	771	723	659
Other joint ventures relating to the Disposal Group	827	1,082	796
	6,891	8,003	7,643
Loan interest income from joint ventures			
Machao Expressway JV	225	144	—
Changyi Expressway JV	20,582	14,310	9,071
	20,807	14,454	9,071

- (b) The details of the financial guarantee provided by the Group to the ultimate holding company and fellow subsidiaries were set out in note 27.

A fellow subsidiary of the Company and the PRC joint venture partner of Machao Expressway JV provided joint corporate guarantee pro rata to the Group's and the

PRC joint venture partner's equity contribution to the joint venture in respect of a banking facility of Machao Expressway JV. The utilised amount of the banking facility was nil, HK\$1,724,146,000 and HK\$1,578,132,000 as at 31 December 2014, 2015 and 2016, respectively.

- (c) Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	8,619	8,775	8,127
Performance related bonus	4,819	4,129	3,372
Retirement benefit contributions	732	711	821
	<u>14,170</u>	<u>13,615</u>	<u>12,320</u>

- (d) The joint ventures of the Group engaged various transactions with the PRC joint venture partners or their affiliates during the Track Record Period which are considered as the connected party transactions upon the listing of the Company and the details are set out below:

Connected parties	Nature of service	For the years ended 31 December		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
河北省交通規劃設計院 (note 1)	Inspection of road condition for Baojin Expressway JV	283	263	—
	Inspection of road condition for Tangjin Expressway JV	147	—	—
	Design service for Baojin Expressway JV	82	911	36
	Design service for Tangjin Expressway JV	75	176	—
	Consultation service for Tangjin Expressway JV	—	29	—
河北省交通建設監理諮詢有限公司 (note 1)	Supervision service for Baojin Expressway JV	—	861	—
河北銳馳交通工程諮詢有限公司 (note 1)	Design service for Tangjin Expressway JV	—	343	—
河北瑞志交通技術諮詢有限公司 (note 2)	Consultation service for Baojin Expressway JV	—	—	759
	Supervision service for Tangjin Expressway JV	189	—	—
河北省高速公路開發有限公司 (note 3)	Rental expense for lease of office premises of Baojin Expressway JV	1,639	1,631	1,553
安徽省交通集團驛安高速公路綜合開發有限公司 (note 4)	Rental income of service area received by Machao Expressway JV	757	—	—
安徽省驛達高速公路服務區經營管理有限公司 (note 4)	Rental income of service area received by Machao Expressway JV	—	—	239
安徽省中安油料銷售有限公司 (note 5)	Rental income of petrol station received by Machao Expressway JV	—	1,882	—
安徽高速傳媒有限公司 (note 6)	Advertising income received by Machao Expressway JV	—	188	179
安徽省交通集團驛安高速公路綜合開發有限公司清風廣告分公司 (note 4)	Advertising income received by Machao Expressway JV	—	188	—
安徽省環宇公路建設開發有限公司 (note 4)	Road repair service for Machao Expressway JV	—	1,860	—
安徽省現代交通設施工程有限公司 (note 4)	Road repair service for Machao Expressway JV	—	2,057	87

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Connected parties	Nature of service	For the years ended 31 December		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
安徽省高速公路聯網運營有限公司 (note 7)	Administrative fee paid by Machao Expressway JV to unitoll clearing centre	212	943	1,308
湖南省高廣投資有限公司 (note 8)	Advertising income received by Changyi Expressway JV	756	753	717
湖南省高速公路建設開發總公司 (note 9)	Administrative fee paid by Changyi Expressway JV to unitoll clearing centre	5,948	7,567	5,618
湖南高速集團財務有限公司 (note 10)	Interest income received by Changyi Expressway JV	189	180	149

Notes:

- (1) It is wholly-owned by 河北交通投資集團公司, which is the sole shareholder of the 60% and 55% PRC joint venture partner of Baojin Expressway JV and Tangjin Expressway JV, respectively.
- (2) It is indirectly wholly-owned by 河北交通投資集團公司 during the term of service.
- (3) It is the 60% PRC joint venture partner of Baojin Expressway JV.
- (4) It is wholly-owned by 安徽省交通控股集團有限公司, which is the 51% PRC joint venture partner of Machao Expressway JV.
- (5) It is 51% owned by 安徽省交通控股集團有限公司.
- (6) It is 51% directly owned by 安徽省交通控股集團有限公司, and 38% and 11% indirectly owned by 安徽省交通控股集團有限公司 through its 31.3% directly owned associated company and 98.9% directly owned subsidiary respectively.
- (7) It is wholly-owned by 安徽省交通控股集團有限公司 since 31 August 2016.
- (8) It is wholly-owned by 湖南省高速公路建設開發總公司, which is the 56.83% PRC joint venture partner of Changyi Expressway JV.
- (9) It is the 56.83% PRC joint venture partner of Changyi Expressway JV.
- (10) It is 60% owned by the 56.83% PRC joint venture partner of Changyi Expressway JV.

29. MAJOR NON-CASH TRANSACTIONS

As detailed in note 2, as part of the Group reorganisation, RKC acquired the equity interest in Sincere Mind Management Limited from Precious Wave Limited at a cash consideration of approximately HK\$11,853,000 and disposed the entire equity interests in certain subsidiaries engaging in highway business to Jadeland Global Limited at a cash consideration of approximately HK\$182,779,000 and the considerations were fully settled through the current account with the ultimate holding company.

As detailed in note 18, the deferred consideration arisen from disposal of joint ventures amounted to HK\$165,718,000 has been fully settled by netting off with the payable for the additional acquisition cost in Machao Expressway JV during the year ended 31 December 2016.

30. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has the following subsidiaries and their particulars are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Paid-in/ registered capital	Effective equity interest attributable to the Group			Date of this report	Principal activities
			31 December 2014	2015	2016		
RKC	BVI 5 October 1994	HKD2,000,000,000	100%	100%	100%	100%	Investment holding
Road Rise Investments Limited	BVI 21 September 1999	USD1	100%	100%	100%	100%	Investment holding
Road Base Investments Limited	BVI 10 November 1998	USD1	100%	100%	100%	100%	Investment holding
Road Bond Investments Limited	BVI 10 November 1998	USD1	100%	100%	100%	100%	Investment holding
Ontex Investments Limited	BVI 18 January 1996	USD1	100%	100%	100%	100%	Investment holding
Intersafe Investments Limited	BVI 18 January 1996	USD16,000,000	100%	100%	100%	100%	Investment holding
Road Crown Investments Limited	BVI 15 July 1997	USD1	100%	100%	100%	100%	Investment holding
Road Express Investments Limited	BVI 10 June 1997	USD1	100%	100%	100%	100%	Investment holding
Road Famous Investments Limited	BVI 18 March 1997	USD1	100%	100%	100%	100%	Investment holding
Road Glorious Investments Limited	BVI 15 July 1997	USD1	100%	100%	100%	100%	Investment holding
Road Grand Investments Limited	BVI 25 March 1997	USD1	100%	100%	100%	100%	Investment holding
Road Link Investments Limited	BVI 10 June 1997	USD1	100%	100%	100%	100%	Investment holding
Anwell Investment Limited#	Hong Kong ("HK") 1 July 1995	USD1	100%	100%	—	—	Investment holding
Kamshan Investments Limited#	BVI 28 August 1996	USD1	100%	100%	—	—	Investment holding
Kohyu Investments Limited#	BVI 8 August 1996	USD1	100%	100%	—	—	Investment holding
Lackson Investments Limited#	BVI 8 February 1996	USD1	100%	100%	—	—	Investment holding
Longdistance Investments Limited#	BVI 15 February 1996	USD1	100%	100%	—	—	Investment holding
Pondtai Investments Limited#	BVI 8 August 1996	USD1	100%	100%	—	—	Investment holding
Road Board Investments Limited	HK 30 November 2010	HKD1	100%	—	—	—	Inactive and deregistered in March 2015
Road Chang Investments Limited	HK 16 December 1993	HKD2	100%	100%	—	—	Inactive and deregistered in June 2016
Road Fly Investments Limited#	BVI 18 March 1997	USD1	100%	100%	—	—	Investment holding
Road Fortune Investments Limited#	BVI 14 January 1997	USD1	100%	100%	—	—	Investment holding
Road Gain Investments Limited#	BVI 14 January 1997	USD1	100%	100%	—	—	Investment holding
Road Giant Investments Limited#	BVI 30 September 1997	USD1	100%	100%	—	—	Inactive
Road Harvest Investments Limited#	BVI 22 July 1997	USD1	100%	100%	—	—	Investment holding
Road Honour Investments Limited	BVI 25 March 1997	USD50,000	100%	—	—	—	Inactive and deregistered in September 2015
Road Keen Investments Limited#	BVI 17 December 1996	USD1	100%	100%	—	—	Inactive

APPENDIX I
**ACCOUNTANTS' REPORT ON HISTORICAL
FINANCIAL INFORMATION**

Name of subsidiary	Place and date of incorporation/ establishment	Paid-in/ registered capital	Effective equity interest attributable to the Group				Principal activities
			31 December			Date of this report	
			2014	2015	2016		
Road Mass Investments Limited#	BVI 17 December 1996	USD1	100%	100%	—	—	Investment holding
Road Sincere Investments Limited#	BVI 25 March 1997	USD1	100%	100%	—	—	Investment holding
Road Success Investments Limited#	BVI 17 December 1996	USD1	100%	100%	—	—	Investment holding
Road Sun Investments Limited	BVI 25 March 1997	USD50,000	100%	—	—	—	Inactive and deregistered in September 2015
Road Team Investments Limited#	BVI 30 September 1997	USD1	100%	100%	—	—	Investment holding
Road Union Investments Limited	BVI 22 July 1997	USD1	100%	—	—	—	Inactive and deregistered in September 2015
Tonston Investments Limited#	BVI 3 July 1996	USD1	100%	100%	—	—	Became inactive after disposal of investment in joint venture in July 2015
Sincere Mind Management LimitedΔ	BVI 18 October 2005	USD1	100%	100%	100%	100%	Investment holding
路勁企業管理顧問(深圳)有限公司Δ	PRC 17 July 2006	RMB5,600,000	100%	100%	100%	100%	Investment consultancy and management consultancy
深圳市路龍投資管理 有限公司Δ	PRC 23 February 2011	RMB10,000,000	100%	100%	100%	100%	Investment management consultancy
深圳市路廣企業管理 有限公司	PRC 16 July 2015	RMB500,000	N/A	100%	100%	100%	Investment consultancy and management consultancy
RKE International Limited (勁投國際控股有限公司) (previously known as RKE International Holdings Limited (勁投國際控股有限公司))	HK 12 October 2016	HK\$1	N/A	N/A	100%	100%	Investment holding
RKE International Holdings Limited (勁投國際控股有限公司) ("RKE(BVI)")*	BVI 21 September 2016	USD1	N/A	N/A	100%	100%	Investment holding
RKE Finance 2016 (A) Limited	BVI 6 October 2016	USD1	N/A	N/A	100%	100%	Arranging financing for group companies
RKE Finance 2016 (B) Limited	BVI 6 October 2016	USD1	N/A	N/A	100%	100%	Arranging financing for group companies
King Joint Limited (景海有限公司) ("KJL")	HK 30 March 2017	HK\$1	N/A	N/A	N/A	100%	Providing administrative services to the Group
Kings Key Limited (盈紀有限公司) ("KKL")	HK 30 March 2017	HK\$1	N/A	N/A	N/A	100%	Providing administrative services to the Group

- # These subsidiaries were disposed by RKC to Jadeland Global Limited, a wholly-owned subsidiary of RKI, on 28 September 2016 as part of the Group Reorganisation, which were detailed in note 2.
- △ Sincere Mind Management Limited was acquired by RKC from Precious Wave Limited, a wholly-owned subsidiary of RKI, on 28 September 2016 as part of the Group Reorganisation, which were detailed in note 2. 深圳市路龍投資管理有限公司 is a wholly-owned subsidiary of 路勁企業管理顧問(深圳)有限公司, which is wholly-owned by Sincere Mind Management Limited.
- * RKE(BVI) was incorporated by RKC to reserve the name for the Company in the BVI.

Except for RKC, KJL and KKL, all the other subsidiaries are indirectly held by the Company. The Company and its subsidiaries adopt 31 December as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Company since its incorporation because it is incorporated in the jurisdiction where there is no statutory audit requirement. The statutory financial statements of the following subsidiaries of the Company for each of the three years ended 31 December 2016 were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC or HKFRSs issued by the HKICPA, as appropriate and were audited by their respective statutory auditors as indicated below:

<u>Name of subsidiary</u>	<u>Financial periods</u>	<u>Name of auditor</u>
RKC	For each of the 3 years ended 31 December 2016	Deloitte Touche Tohmatsu
Anwell Investment Limited	For each of the 3 years ended 31 December 2016	Deloitte Touche Tohmatsu
路勁企業管理顧問(深圳)有限公司	For each of the 3 years ended 31 December 2016	深圳皇嘉會計師事務所(普通合夥)
深圳市路龍投資管理有限公司	For each of the 3 years ended 31 December 2016	深圳皇嘉會計師事務所(普通合夥)

No audited statutory financial statements of Road Board Investments Limited and Road Chang Investments Limited have been prepared because they were inactive and deregistered during the Track Record Period. No audited statutory financial statements of RKE International Limited have been prepared because it is newly incorporated in 2016 and not yet due for regulatory filing purpose. No audited statutory financial statements of KJL and KKL have been prepared because they are newly incorporated in 2017 and not yet due for regulatory filing purpose.

Except for the above, no audited financial statements have been prepared for other subsidiaries of the Company as there are no statutory requirements to do so.

31. EVENTS AFTER THE TRACK RECORD PERIOD

On 19 June 2017, a dividend of HK\$740 million was declared by RKC and the dividend was settled through the current account with RKI.

On 19 June 2017, the Company acquired the entire issued share capital of RKC by the allotment and issue of 499,999,999 new shares of the Company, credited as fully paid, to New Select and the Group Reorganisation was completed accordingly.

A share option scheme was conditionally approved and adopted by the written resolutions of the Company passed on 19 June 2017 and the principal terms of the share option scheme are set out in Appendix VI to the Prospectus.

On 19 June 2017, written resolutions of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of our sole Shareholder" in Appendix VI to the Prospectus, which included the followings:

- a) the increase of the authorised share capital of the Company from HK\$10,000 to HK\$200,000,000 so that thereafter, the authorised share capital of the Company comprises 2,000,000,000 shares of HK\$0.10 each; and
- b) conditional on the share premium account of the Company being credited as a result of the issue of the shares of the Company pursuant to the global offering, the directors of the Company were authorised to capitalise HK\$74,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full 740,000,000 shares to be issued under the capitalisation issue.

Save as aforesaid, no other significant events took place subsequent to 31 December 2016.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2016.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the three years ended 31 December 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report on Historical Financial Information"), and is included therein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company prepared 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") is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of the Group as if the Global Offering had taken place on 31 December 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group attributable to owners of the Company had the Global Offering been completed on 31 December 2016 or any future dates.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as shown in the Accountants' Report on Historical Financial Information, set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$ (Note 4)
Based on an offer price of HK\$4.00 per Share	4,501,286	1,173,858	5,675,144	3.7
Based on an offer price of HK\$5.50 per Share	4,501,286	1,628,396	6,129,682	4.0

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 are extracted from the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus. A material part of the audited combined net tangible assets of the Group attributable to owners of the Company represents the Group's interest in the Expressway JVs, which is in turn derived from the Expressway JVs' concession intangible assets. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 included the carrying amount of interests in joint ventures of HK\$3,224,190,000. As at the same date, the Group's proportionate share of the Expressway JVs' concession intangible assets based on its equity ratio in the respective Expressway JVs was HK\$5,361,359,000.

- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of low end and high end of HK\$4.00 or HK\$5.50 per Share, respectively, after deduction of the underwriting fees and other related expenses incurred or to be incurred by the Company (excluding the discretionary incentive fee) since 1 January 2017, and takes no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares". Listing Expenses of HK\$10,000,000 have been incurred by the Group on or before 31 December 2016 and have been accounted for in the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result and other transactions of the Group entered into subsequent to 31 December 2016.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,550,000,000 Shares are in issue assuming the Global Offering and the Capitalisation Issue have been completed on 31 December 2016 at an Offer Price of HK\$4.00 per Share, being the low end of the Offer Price range, and at an Offer Price of HK\$5.50 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company in the table above has not been adjusted to show the effect of the dividend of HK\$740,000,000 declared by RKC on 19 June 2017 (the "Dividend"). Had the Dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share would be further adjusted as follows:

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 after taking into account the Dividend	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share after taking into account the Dividend
	HK\$'000	HK\$
Based on an offer price of HK\$4.00 per Share	4,935,144	3.2
Based on an offer price of HK\$5.50 per Share	5,389,682	3.5

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

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of RKE International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of RKE International Holdings 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 statement of unaudited pro forma adjusted combined net tangible assets as at 31 December 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 27 June 2017 (the "Prospectus"). 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-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering of the shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2016 as if the Global Offering had taken place on 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended 31 December 2016, on which an accountants' report set out in Appendix I to the Prospectus 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 behaviour.

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 at 31 December 2016 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 unaudited 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
27 June 2017

Set out below are the texts of the report received from WB Group Consulting (Shenzhen) Limited, an independent traffic consultant, in connection with traffic study on Baojin Expressway for inclusion in this prospectus.



WB Group Consulting (Shenzhen) Limited,
Room 1703, Shenhua Commercial Building,
2018 Jiabin Rd, Luohu District,
Shenzhen, P.R. China

27 June 2017

The Directors
RKE International Holdings Limited
Room 501, 5/F., Block 6,
The Gateway, 9, Canton Road, Tsim Sha Tsui,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

Baojin Expressway in Hebei Province

Traffic and Revenue Forecasting Study—Executive Summary

WB Group Consulting (Shenzhen) Limited (the “Consultant”) was appointed by RKE International Holdings Limited to carry out an independent traffic and revenue forecasts for Baojin Expressway in Hebei Province (“the Project Road”).

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

Figure 1-1 Location of Baojin Expressway



1 Introduction

National Expressway G18 Baoding-Tianjin Expressway (“**Baojin Expressway**”) is part of the trunk road in Hebei Province and the Bohai Rim Region that runs from the border between Hebei Province and Tianjin to Xushui in Baoding and connects to Tianjin Port. It is also a component of the G18 Rongcheng-Wuhai Expressway (“**Rongwu Expressway**”), one of the eighteen horizontal east-west national expressways. Baojin Expressway is one of the

major routes connecting Tianjin and north-eastern provinces with Baoding, Shijiazhuang and provinces to the south and west, such as Shanxi and Henan. The location of Baojin Expressway is shown on Figure 1-1.

The Route

The Baojin Expressway has a total length of 105km. As one of the major routes in Hebei connecting Tianjin and north-eastern provinces with Baoding, Shijiazhuang and provinces to the south and west such as Shanxi and Henan, Baojin Expressway serves as the major trunk road in Hebei Province and the Bohai Rim Region, running from the border between Hebei Province and Tianjin to Xushui in Baoding and passing through the Anci District of Langfang, Bazhou City, Xiong County, Rongcheng County and Xushui. It is also a component of the Rongwu Expressway and is expected to benefit from incremental traffic flow upon the opening of its western section in the second half of 2017.

Baojin Expressway is a closed system expressway¹ with seven toll plazas and three interchanges which are fully operational. Its dual four lane carriageways have a design speed of 120 km per hour. The maximum speed is 120 km per hour.

Baojin Expressway has been collecting tolls since its operation in 1998 and is fully operational.

Destinations and Major Connections

- *Tianjin:* Tianjin is one of China's four major municipalities and a central city of China. The industries driving its economy comprise high-end equipment, a new generation of information technology, aerospace, environmental-friendly and new-energy vehicles, new materials production, bio-medicinal, new energy, energy saving, modern petrochemical and metallurgy.
- *Baoding:* Baojin Expressway reaches Baoding, a major city close to Beijing whose key economic drivers include the automobile industry, alternative energy production, textile and construction materials production and tourism.
- *Ports:* Baojin Expressway connects to ports including the Tianjin Port, Huanghua Port, Caofeidian Port and Jingtang Port.
- *Tourist attractions:* The nearby tourist attractions include Baiyang Lake, Langyashan, and Baishishan.
- *Beijing-Shijiazhuang Expressway and Shijiazhuang-Anyang Expressway:* The completion of reconstruction and expansion works of these two expressways in 2014, which are feeders to Baojin Expressway, have improved their overall road condition and increased the capacity of traffic volume.
- *G18 Rongcheng-Wuhai Expressway:* Baojin Expressway is a component of Rongwu Expressway which provides a major freight transportation corridor linking the north- eastern provinces to the western provinces through Tianjin, Hebei, Henan and Shanxi.

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

- *Baoding-Fuping Expressway*: Baofu Expressway, part of the Hebei Province's "5 vertical and 6 horizontal expressways" network, has been fully operational since 2010 and diverts traffic (especially coal-carrying trucks) from Shanxi region to Tianjin or in a north-eastern direction to Baojin Expressway.

Existing Competing Roads/Rails

Baojin Expressway faces the following existing competition:

- *National Highway G112*: which completed its re-surfacing pavement construction in 2011, is toll free and which has diverted away some freight traffic (especially trucks carrying coal) from Baojin Expressway.
- *Langfang-Zhuozhou Expressway, Beijing-Taipei Expressway and Binhai-Baoding Expressway*. After Binhai-Baoding Expressway connecting Langfang-Zhuozhou Expressway and Beijing-Taipei Expressway commenced operation in 2015, the route has diverted away certain trucks (especially trucks carrying coal) originating from the western part of Hebei away from Baojin Expressway.
- *The High Speed Rail from Tianjin to Baoding*, which began its operation in December 2015 and runs through areas including Bazhou City, Xiong County, Rongcheng County, Xushui District and Tianjin, has diverted certain passenger traffic away from Baojin Expressway.

Interchanges

Baojin Expressway currently has three interchanges which connect Baojin Expressway to three major arterial roads, namely Beijing-Shijiazhuang Expressway (Jinshi Expressway), Daqing-Guangzhou Expressway (Daguang Expressway) and Langfang-Cangzhou Expressway (Langcang Expressway), making it accessible to traffic from other highly populous and industrial regions in Northern China.

2 Study Approach

The study approach and work steps are summarised below:

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

Step 2 : Existing Year Traffic Conditions—Based on the traffic and revenue information collected, the current economic and development activities along the Baojin Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Baojin Expressway to determine the 2017 annual average daily traffic, value of time and operation costs of Baojin Expressway

Step 3 : Road Network Development in Traffic Forecasting Model—This task included the development of a computer simulation model to replicate the existing traffic conditions along Baojin Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant

retrieved highway infrastructure planning and implementation programmes for the period referred to in Section 4—6. “Road Network” below from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

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

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

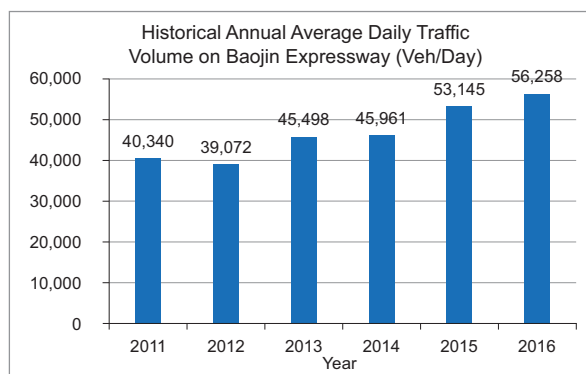
Step 6 : Traffic and Revenue Forecast—The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised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

3 Traffic and Revenue Data Collection and Analysis

3.1 Historical Traffic and Revenue Data

Baojin Expressway has been open for 18 years since 1998. The Consultant considers that the traffic composition, vehicular modes and traffic volumes have become stabilised by the time of this report. The Consultant has summarised the historical annual average daily traffic volume for the years 2011-2016 in Figure 3-1. The Consultant obtained the 2011 – 2016 revenue information from Hebei Baojin Expressway Co., Ltd. and the historical annual revenue on Baojin Expressway are summarised in Figure 3-2.

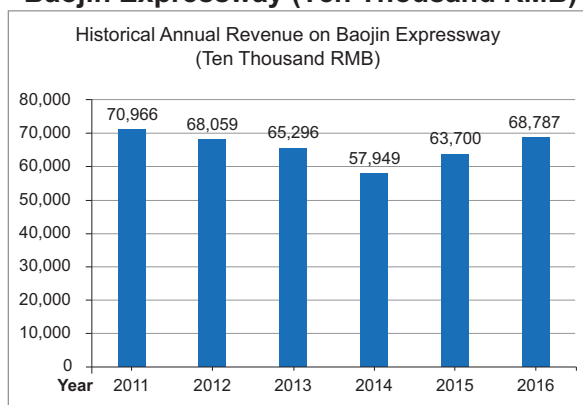
Figure 3-1 Historical Annual Average Daily Traffic Volume for Baojin Expressway (Veh/Day)



Source: Hebei Baojin Expressway Co., Ltd., 2017

Note: The average daily traffic volume refers to the total traffic using the road per day during the relevant year, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations.

Figure 3-2 Historical Annual Revenue for Baojin Expressway (Ten Thousand RMB)



Source: Hebei Baojin Expressway Co., Ltd., 2017

3.2 Station-to-Station Traffic and Revenue Data

The Consultant obtained from the Hebei Province Districts 1 and 2² Expressway Revenue Records the Station-to-Station traffic data for 3rd – 9th July 2016. This information included all main related traffic information on Districts 1 and 2 revenue system of Hebei Province Expressway including in-out time and locations, vehicle types, toll charge categories, toll revenue and gross weight (trucks). This enabled the Consultant to understand the composition of the vehicle stream, the origin and destination of the traffic, variation in traffic volume during the week and distance travelled on Baojin Expressway.

The advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station revenue records were:

- The results were recorded by electronic devices without the process of on-site investigations and surveys, thereby avoiding causing disturbance to the traffic;
- The results were directly issued by the “Clearing Centre of the Tolling System of the Hebei Province Expressway Network” without mistakes possibly made through manual data entry and coding processes. This enhanced the accuracy of the base traffic data used in subsequent analyses;
- The information represented 100% of the 24-hour revenue records on the expressway system. The discrepancies and problems likely to be incurred by a survey sampling method were thereby avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic level, travel directions and the traffic composition on Baojin Expressway, the Consultant undertook the following 24-hour traffic surveys on 6th July 2016: Origin-Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow of traffic count surveys.

² District 1—Expressways within the seven districts to the south of Beijing and Tianjin; District 2—Expressways within the Zhangjiakou district. District 3—Expressways within Chengde, Tangshan and Qinhuangdao districts. Baojin Expressway falls into the category of District 1 & 2 whereas Tangjin Expressway falls into the category of District 3.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. The Consultant carried out a total of 12,867 O-D survey samples at the 7 toll stations. An overall sampling rate of 32.7% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types with very low traffic volumes, the overall sampling representation for all vehicle types was satisfactory. The Consultant also collected the traffic flow and classification data of the Hebei Province Road Network on the survey days to validate the survey results.

Classified Traffic Count Surveys

Classified traffic count surveys comprised classified traffic count survey at toll stations and classified section flow traffic count surveys on Baojin Expressway. The results of the traffic count surveys were used to calibrate the base year traffic forecasting results and are summarised in Table 3-1.

Table 3-1 Classified Traffic Count Survey Results (Vehicles)

Survey Location	Direction	PV1	PV2	PV3	PV4	GV1	GV2	GV3	GV4	GV5	Total
Rongcheng	In	4813	23	56	68	690	230	17	20	300	6217
	Out	5254	25	26	22	778	42	47	19	214	6427
Xiong County	In	4796	38	74	79	850	369	176	82	273	6737
	Out	4846	16	29	14	994	58	49	19	185	6210
Xiong County East	In	1840	11	34	22	1120	135	84	108	538	3892
	Out	1888	8	5	5	1188	83	75	44	705	4001
Bazhou	In	3215	11	34	73	1119	65	56	20	489	5082
	Out	3452	8	10	12	1029	39	64	12	445	5071
Shengfang	In	2685	15	32	51	780	113	61	18	801	4556
	Out	2859	10	12	5	811	73	94	19	802	4685
Yangfengang	In	444	3	10	11	222	21	15	17	134	877
	Out	366	2	8	0	203	3	6	3	22	613
Jijin Major Line	In	5781	63	54	38	1240	934	594	442	2632	11778
	Out	8702	30	48	43	1802	190	176	84	1250	12325
Cuizhuang Services Area	Baoding—Tianjin	8690	1115	514	739	1142	1895	607	209	902	15813
Cuizhuang Services Area	Tianjin—Baoding	10399	1182	451	530	1450	1677	736	412	1039	17876
Cailiuxian	Baoding—Tianjin	8595	564	706	575	932	1774	346	231	428	14151
	Tianjin—Baoding	10488	577	701	859	1243	1616	401	421	604	16910

Source: Consultant, 2016.

Note: PV: Passenger Car, GV: Truck

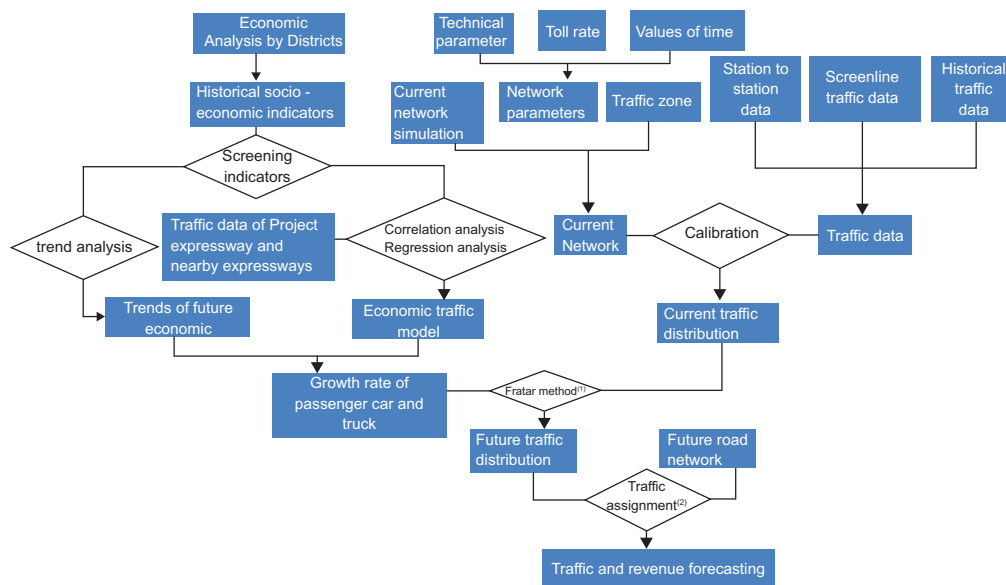
PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8 -19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (more than 39 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tonnes), Class 2 Truck (2-5 (inclusive) tonnes), Class 3 Truck (5-10 (inclusive) tonnes), Class 4 Truck (10-15 (inclusive) tonnes and 20 feet container) and Class 5 Truck (More than 15 tonnes and 40 feet container) respectively.

4 Basic Approach and Key Assumptions

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

1. *Forecasting Period:* Year 2017 to 2nd Sept, 2033
2. *Socio-Economic Model:* The purpose of this model was to derive the relationship developed between historical socio-economic (mainly GDP) and traffic demand to forecast future traffic generation. Major components include:
Model Input:
 - Historical socio-economic data (refer to sub-section 4 below)
 - Historical traffic data (refer to Section 3 above)
 - Future socio-economic assumptions (refer to sub-section 4 below)Model Output:
 - Future traffic growth
3. *Traffic Forecasting Model:* Professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant developed 730 traffic analysis zones (Traffic Analysis Zone, TAZ) within the province to do the analysis. The purpose of the traffic forecasting model was 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. Major components include:
Model Input:
 - Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
 - Base year model calibration (refer to sub-section 5 below)
 - Future traffic growth (refer to sub-section 2 above)
 - Road and rail network (refer to sub-section 6 below)
 - Passenger car unit conversion (refer to sub-section 7 below)
 - Toll rate (refer to sub-section 8 below)
 - Volume delay functions and capacity (refer to sub-section 9 below)
 - Traffic assignment (refer to sub-section 10 below)Model Output:
 - Future year traffic volume and revenue

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant, 2016.

Notes:

- (1) represents a mathematical approach to balance the trip matrices in the future years
 (2) means the selection of paths between the points of origin and the points of destination in the transportation network

4. **Socio-economic Factors:** In order to investigate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, port throughputs, population, car ownership and income per capita were closely studied. The selected economic parameters were then subjected to correlation and regression analyses. It was found that the traffic growth was mainly correlated to GDP growth.

Historical GDP real growth is summarised in Table 4-1. The short-term real GDP growth patterns in 2017-2020 for economic zones in the project expressway's province as well as the adjacent provinces with significant origin-destination trips (from station-to-station data) were estimated by making reference to the historical average growth and the economic growth target of the 13th—Five years plans (2016-2020) of China, and certain provinces and municipalities.

The targeted real GDP growth by 2020 of China, Hebei Province, Henan Province, Shanxi Province, Shandong Province, Inner Mongolia, Liaoning Province, Tianjin Municipality and Beijing Municipality by 2020 are 6.5%, 7.0%, 8.0%, 6.5%, 7.5%, 7.5%, 6.5%, 8.5% and 6.5% respectively.

For the longer-term, growth rate assumptions for China subsequent to the years covered by the 13th Five-year plans (2016-2020), the consultant has assumed that the growth is expected to trend down as economies become increasingly mature and with a larger economic base. This is consistent with global experience. China GDP growth forecast for years 2021-2025, 2026-2030, 2031-2035 are estimated based on the estimated growth trend in 2017-2020. It is expected that the extent of growth will experience a decrease of 1.0-2.0% in every five-year increment, by making reference to some other source of

global economic projection such as Organisation for Economic Co-operation and Development (OECD). The expected growth patterns for different provinces were based on individual local economic development and growth trends. Future GDP assumptions are summarised in Table 4-2.

Table 4-1 Historical GDP Growth

	2011	2012	2013	2014	2015	2011-2015 Average Growth
Hebei Province	11.3%	9.6%	8.2%	6.5%	6.8%	8.5%
Henan Province	11.6%	10.1%	9.0%	8.9%	8.3%	9.6%
Shanxi Province	12.9%	10.1%	8.9%	4.9%	3.1%	8.0%
Shandong Province	10.9%	9.8%	9.6%	8.7%	8.0%	9.4%
Inner Mongolia	14.3%	11.7%	9.0%	7.8%	7.7%	10.1%
Liaoning Province	12.1%	9.5%	8.7%	5.8%	3.0%	7.8%
Tianjin Municipality	16.4%	13.8%	12.5%	10.0%	9.3%	12.4%
Beijing Municipality	8.1%	7.7%	7.7%	7.3%	6.9%	7.5%
China	9.5%	7.9%	7.8%	7.3%	6.9%	7.9%

Source: Data available up to 2015 for Statistical Yearbooks of China, Hebei, Henan, Shanxi, Shandong, Inner Mongolia, Liaoning, Tianjin and Beijing (2012-2016), The annual GDP growth rate between 2011 and 2015 are calculated at constant prices.

Table 4-2 Future GDP Growth Assumption

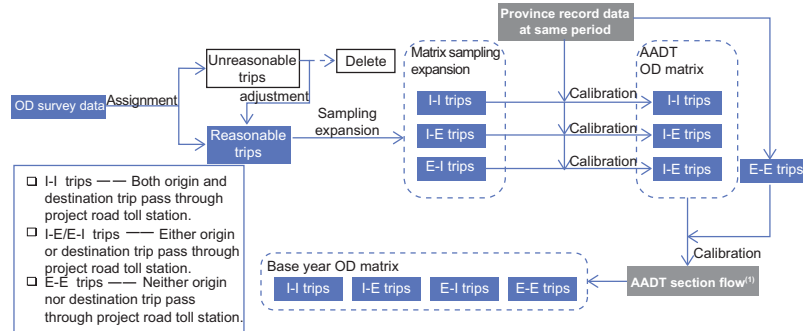
	2011-2015 Average Growth	2017-2020	2021-2025	2026-2030	2031-2035
Hebei Province	8.5%	7.0%	5.5%	4.0%	3.0%
Henan Province	9.6%	8.0%	6.0%	4.5%	3.0%
Shanxi Province	8.0%	6.5%	5.0%	4.0%	3.0%
Shandong Province	9.4%	7.5%	5.0%	4.0%	3.0%
Inner Mongolia	10.1%	7.5%	5.5%	4.0%	3.0%
Liaoning Province	7.8%	6.5%	5.0%	3.5%	3.0%
Tianjin Municipality	12.4%	8.5%	6.5%	4.5%	3.0%
Beijing Municipality	7.5%	6.5%	5.5%	4.0%	3.0%
China	7.9%	6.5%	5.0%	4.0%	3.0%

Source: 13th Five Year Plan of China, Hebei, Henan, Shanxi, Shandong, Inner Mongolia, Liaoning, Tianjin and Beijing for 2017-2020, Organisation for Economic Co-operation and Development (OECD), Consultant's assumption for 2021-2035.

5. *Traffic Model Calibration:*

The Consultant has calibrated the traffic model against existing traffic conditions. The procedure is summarised in the following figure. According to the calibrated results, the forecasted volumes were compatible to the observed volumes (most discrepancies were $\pm 10\%$). The Consultant concluded that the calibrated model could adequately replicate travel paths on the freeway system and could be used to perform future traffic/revenue forecasting on Baojin Expressway.

Figure 4-2 Model Calibration Procedure



Source: Consultant, 2016

Note:

(1) "AADT" means annual average daily traffic

Table 4-3 Traffic Model Calibration Results (Vehicles/Peak Hour)

Calibration Location	Direction	Observed	Modelled	Difference
Jijin Major Line Toll Station	In	887	888	0.0%
	Out	897	897	0.0%
Yanfengang Toll Station	In	69	70	1.4%
	Out	47	47	0.5%
Shengfang Toll Station	In	395	395	0.0%
	Out	378	378	0.0%
Bazhou Toll Station	In	466	466	0.0%
	Out	475	475	0.0%
Xiong County East Toll Station	In	322	321	0.0%
	Out	310	310	0.0%
Xiong County Toll Station	In	471	472	0.2%
	Out	439	440	0.2%
Rongcheng Toll Station	In	455	455	0.1%
	Out	449	450	0.2%
Section Flow of Cuizhuang Service Area	Tianjin—Baoding	950	951	0.1%
	Baoding—Tianjin	890	891	0.1%
Section Flow of Cailiuxian	Tianjin—Baoding	1128	1130	0.2%
	Baoding—Tianjin	1107	1108	0.1%

Source: Consultant, 2016

6. Road and Rail Network:

In the base year road network development process, the Consultant made use of the existing Hebei Province Expressway Network map and the official Hebei Expressway Network Plan (developed by the Expressway Management Bureau) as the starting point 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.

For future years, in order to adequately assess the impacts of future highway work changes in Hebei Province on traffic demands (traffic attraction or diversion) on the project expressway, the Consultant

collected the Hebei Province highway construction programmes as stipulated in Hebei's 13th Five-year Plan in which future highway infrastructure projects for the years 2017 to 2022 are identified. All these new highways were coded into EMM/3 in order to evaluate the impact of the new highway(s) on Baojin Expressway. There is no official source available for planned highway infrastructure projects after 2022.

Based on the traffic assignment model results, significant impacts on Baojin Expressway were predicted to happen in 2017, 2019, and 2021. In 2017, the Rongwu Expressway section from Pocang to Laiyuan East will be opened to traffic. This new section will enable the entire expressway to be in service. In 2019, the Beijing Daxing International Airport and a number of highways will be completed and become operational. In 2021, the Tianjin—Shijiazhuang Expressway ("Jinshi Expressway") will be in service. The traffic impacts on the project road due to the opening of the above—mentioned roads are summarised in the following table.

Table 4-4 New Expressways with Traffic Impact

Name	Opening Year	Traffic Diversion / Attraction Impact on the project road
G18: Rongcheng-Wuhai Expressway to Laiyuan Section	End of 2017	Traffic Attraction Impact
S70: Beijing New Airport North Line Expressway Zhuozhou Section	2019	Traffic Diversion Impact
S70: Beijing New Airport North Line Expressway Langfang Section	2019	Traffic Diversion Impact
S65: Beijing New Airport South Exit Expressway	2019	Traffic Diversion Impact
S72: Tanglang Expressway Langfang Section	2019	Traffic Diversion Impact
S31: Taihang Mountain Expressway Laiqu Section	2019	Traffic Diversion Impact
G0211: Tianjin-Shijiazhuang Expressway	2021	Traffic Diversion Impact

Source: Consultant, 2017

Note: New Expressways which are not shown on the list above have been tested in the traffic model and the traffic impacts are insignificant (due to different alignment serving different travel demand corridors or being too far away from Baojin Expressway)

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.

Existing: Tianjin-Baoding Railway: It has 7 train stations and a total length of 157.8 km. The 7 stations are Tianjin West Station, Shengfang Station, Bazhou West Station, Baigou Station, Baiyangdian Station, Xushui Station and the Baoding Station. It started operation on 28th December 2015 and connects with the busy Jingguang Railway, Jingjiu Railway and the Jinghu Railway. It provides an efficient and high speed train service between Tianjin, Hebei and the central-west districts.

Planned: Zhangjiakou-Baoding-Huanghua Port Railway: This is still in the planning stage and no official opening date has been announced.

As the Tianjin-Baoding rail service has already been in operation during the base year of the study, the traffic impact on Baojin Expressway traffic is reflected in the base year data. The

Zhangjiakou-baoding-Huanghua Port rail service will have minimal impact on Baojin Expressway, because its alignment is different from Baojin Expressway, serving a different travel demand corridor.

7. *Passenger Car Unit (PCU):*

Traffic is generally heterogeneous consisting of a variety of vehicles comprising a wide range of static and dynamic characteristics. All types of vehicles were converted into equivalent "passenger car units (PCU)" before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables (such as headway, speed, density) compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-5 Passenger Car Units

Vehicle Type	No.	Name	Conversion Factor
Passenger Car	1	Class 1	1.0
	2	Class 2	1.5
	3	Class 3	2.0
	4	Class 4	2.5
	5	Class 1	1.5
Truck	6	Class 2	2.0
	7	Class 3	2.5
	8	Class 4	2.5
	9	Class 5	3.0

Source: Consultant, 2016

8. *Toll Rates:*

The Hebei Province Price Bureau and the Finance Department (document [2005]66: Notification on Hebei Expressways' Toll Standard) have recognised inconsistencies among toll charging mechanisms (RMB/veh-km) on different toll highways in the Province. The basic toll and weight-base toll (for trucks only) charging systems were established as shown in Table 4-6 and Table 4-7 respectively. In its study, the Consultant has assumed that the existing toll rate will continue until the end of the concession period on the project expressway in the base case.

Table 4-6 Baojin Expressway Basic Toll Charges (RMB/Km)

Class 1	Class 2	Class 3	Class 4	Class 5
0.4	0.7	1.1	1.36	0.08 RMB/Tonnes-KM

Source: Hebei Baojin Expressway Co., Ltd., 2016

Class 1: Truck (2 tonnes or less), Passenger Cars (7 Seats or less); Class 2: Truck (2-5 tonnes), Passenger Cars (8- 19 seats); Class 3: Truck (5-10 tonnes), Passenger Cars (20-39 Seats); Class 4: Truck (10-15 tonnes), Passenger Cars (40 Seats or More); Class 5: Truck (More than 15 tonnes)

Table 4-7 Baojin Expressway Weight-base Toll Charges (RMB/tonne-km)

	Category	Toll Charges By Vehicle Weight
Regular Weight	Standard Rates	0.08 RMB/tonne-km
	10 tonnes or less	0.08 RMB/tonne-km
	10 tonnes to 49 tonnes	Linear reduction to 55% of standard rates
	More than 49 tonnes	0.044 RMB/tonne-km

Source: Hebei Baojin Expressway Co., Ltd., 2016

Overweight penalty*: Any 0-30% overweight portion is charged with Base Rate; any 30%-100% overweight portion is charged with a linearly increasing rate of 1 to 6 times the Base Rate; any >100% overweight portion is charged with 16 times the Base Rate. For truck's cargo weight > 55 tonnes, the toll rate is charged at 16 times the standard rate.

Trucks carrying fresh and agricultural products in regular weight that are qualified to "Green Passage" policy will be free of charge. Over-weight trucks by 5% or more are excluded.

Based on the 24th July 2012 Notification on "Toll Free Options for Small Passenger Cars During Major National Festivities", small passenger cars enjoy toll free travel on expressways during Spring Festival, Qing Ming Festival, Labour Festival and National Holiday Festival. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all Government approved expressways, including Baojin Expressway.

Based on the Notification on "Enhancement of the "Green Passage" Policy for the transportation of fresh and agricultural products, with effect on 1st December 2010, all toll roads are included in the "Green Passage" network for the transportation of fresh and agricultural products. Trucks carrying fresh and agricultural products in regular weight that are qualified to the "Green Passage" policy will be free of charge. Over-weight trucks by 5% or more are excluded.

In order to assess the impact of these policies, the Consultant studied the implementation plan of the Notification on "Toll Free Policy during Major National Festivities", namely Spring Festival, Qing Ming Festival, Labour Festival and National Festival, which covers a total of 20 days as well as the "Green Passage" Policy. The impact was accounted for in the traffic and revenue forecasting procedures and results. The Consultant also assumed that these toll free policies will last till the end of the concession period of Baojin Expressway.

9. *Traffic Volume Delay Functions and Road Capacity:*

Base year capacity = 79,710 (PCU/day) or equivalent to 56,332 (veh/day). No future road expansion is assumed.

Travel time is usually derived directly from speed which in turn would be influenced by level of congestion on the road. Congestion level on the project expressway in the base year was calculated. To estimate future travel speeds on Baojin Expressway under continuous traffic growth, a "capacity constrained" model was used.

The major factors that may affect the capacity of an expressway include design standards (design speed), vehicle type composition and hourly distribution of daily traffic demands (peak hour factor). The assumptions adopted for the planning and design of the project expressway included design speed of 120 km/hr, level of service C ($0.55 \leq \text{Volume/Capacity Ratio} \leq 0.75$), section flow capacity of 1650

pcu/lane/hr (refer to Highway Engineering Technical Specifications—JTG B01-2014), and peak hour factor of 8.28% (obtained from traffic survey and station-station traffic data).

Based on the above parameters, the project road section—flow capacity in the base year is 79,710 (PCU/day), which is equivalent to 56,332 (veh/day) by using the average passenger car conversion factor of 1.415 pcu/veh (obtained from traffic survey and station—station traffic data). However, changes in the ratio of passenger cars to trucks using Baojin Expressway in the future will affect the section flow capacity measured in number of vehicles on Baojin Expressway and accordingly the time at which usage reaches full capacity. The future capacity of the Baojin Expressway may therefore vary from the base year calculation.

10. *Traffic Assignment:*

This study adopted “generalised-cost” as the factor to influence the basis for decisions to select travel paths by the trip makers. This arrives at a balanced trip distribution on the road network within the study area. The “generalised 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 road users’ willingness to pay certain travel costs and travelling speed/congestion levels on the Baojin Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs is allocated by the model to the path of the lowest generalised cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. For example: If there are 2 highways of the same class in an iteration, the highway which carries the lower volume would be selected as the travel path. However, in a subsequent iteration, these 2 highways may have different generalised costs which would then dictate which would be the more attractive path. 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 study approach and key assumptions described in Section 4, the base year for the analysis was set at 2016. Future traffic volumes and revenues are forecasted below for the years 2017-2022 (being the period up to which assessment of the impacts of future highway work changes has been made) and thereafter for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its term.

In addition to the base case, sensitivity tests were also carried out. The description of the sensitivity tests are summarised in Table 5-1.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	Based on the key assumptions in Section 4.
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;
(4) Sensitivity Test 3	Based on the Base Case, the toll rates were increased by 5% every 5 years

Source: Consultant, 2016

5.1 Base Case Scenario

Based on the above considerations, the traffic flows and toll revenue forecasts of Baojin Expressway for the period 2017-2022 and for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its current term are shown in Table 5-2 and Table 5-3 respectively.

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

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017 ⁽²⁾	61,750	62.1%	37.9%	25,678	66.5%	33.5%	9.8%
2018	68,572	62.5%	37.5%	28,641	66.6%	33.4%	11.0%
2019 ⁽³⁾	74,287	63.4%	36.6%	30,871	67.6%	32.4%	8.3%
2020	80,372	64.0%	36.0%	33,508	68.1%	31.9%	8.2%
2021 ⁽⁴⁾	83,586	64.8%	35.2%	34,806	68.9%	31.1%	4.0%
2022	89,522	65.4%	34.6%	37,246	69.6%	30.4%	7.1%
2026	110,925	68.1%	31.9%	46,057	72.0%	28.0%	5.5%(1a)
2031	129,097	70.9%	29.1%	53,341	74.5%	25.5%	3.1%(1b)
2033	136,449	71.5%	28.5%	55,141	75.2%	24.8%	2.8%(1c)

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes at the end of the concession period. (2) G18: Rongwu Expressway Pocang to Laiyuan East in the end of 2017, the traffic impact will last until 2018; (3) Qugang Expressway Quyang to Suning and Taihang Mountain Expressway Laiqu section, New Beijing Airport completed; (4) Jinshi Expressway.

Table 5-3 Annual Revenue Forecasts (Base Case) on Baojin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥2,051,130	¥ 748,662,320	9.1%	¥28,802,542
2018	¥2,306,352	¥ 841,818,402	12.4%	¥29,744,369
2019	¥2,437,990	¥ 889,866,482	5.7%	¥30,934,582
2020	¥2,626,630	¥ 961,346,408	7.7%	¥32,074,462
2021	¥2,663,778	¥ 972,279,032	1.4%	¥31,778,920
2022	¥2,818,534	¥1,028,764,814	5.8%	¥32,684,653
2026	¥3,372,195	¥1,230,851,349	4.6%(2a)	¥34,298,862
2031	¥3,757,219	¥1,371,384,982	2.2%(2b)	¥34,298,862
2033 ⁽⁴⁾	¥3,845,391	¥ 942,120,865	1.2%(2c)	¥22,294,260

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 2nd September 2033.

5.2 Sensitivity Test 1

Tables 5-4 to 5-5 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% reductions in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-4 Annual Average Daily Traffic (Sensitivity Test 1) on Baojin Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017 ⁽²⁾	61,320	62.2%	37.8%	25,501	66.5%	33.5%	9.0%
2018	67,596	62.7%	37.3%	28,225	66.7%	33.1%	10.2%
2019 ⁽³⁾	72,780	63.6%	36.4%	30,184	67.7%	32.1%	7.7%
2020	78,320	64.2%	35.8%	32,583	68.3%	31.5%	7.6%
2021 ⁽⁴⁾	81,409	65.0%	35.0%	33,641	69.1%	30.7%	3.9%
2022	86,735	65.7%	34.3%	35,811	69.9%	30.0%	6.5%
2026	107,763	68.3%	31.7%	44,400	72.3%	27.5%	5.6%(1a)
2031	127,596	71.2%	28.8%	51,804	74.9%	24.9%	3.4%(1b)
2033	131,728	72.3%	27.7%	54,144	75.8%	24.0%	1.6%(1c)

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT

volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes at the end of the concession period (2) G18: Rongwu Expressway Pocang to Laiyuan East in the end of 2017, the traffic impact will last until 2018; (3) Qugang Expressway Quyang to Suning and Taihang Mountain Expressway Laiqu section, New Beijing Airport completed; (4) Jinshi Expressway.

Table 5-5 Annual Revenue Forecasts (Sensitivity Test 1) on Baojin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥2,035,360	¥ 742,906,272	8.3%	¥28,780,252
2018	¥2,268,465	¥ 827,989,779	11.5%	¥29,650,755
2019	¥2,378,413	¥ 868,120,646	4.8%	¥30,748,921
2020	¥2,546,749	¥ 932,110,169	7.1%	¥31,814,114
2021	¥2,571,376	¥ 938,552,250	1.0%	¥31,456,885
2022	¥2,701,001	¥ 985,865,304	5.0%	¥32,277,476
2026	¥3,239,361	¥1,182,366,643	4.6%(2a)	¥34,446,925
2031	¥3,626,467	¥1,323,660,601	2.3%(2b)	¥34,446,925
2033 ⁽⁴⁾	¥3,736,396	¥ 915,417,026	1.5%(2c)	¥22,390,501

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 2nd September 2033.

5.3 Sensitivity Test 2

Tables 5-6 to 5-7 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% increases in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Annual Average Daily Traffic (Sensitivity Test 2) on Baojin Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ⁽¹⁾			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017 ⁽²⁾	62,178	62.1%	37.9%	25,853	66.4%	33.6%	10.5%
2018	69,539	62.4%	37.6%	29,045	66.5%	33.5%	11.8%
2019 ⁽³⁾	75,790	63.2%	36.8%	31,548	67.4%	32.6%	9.0%
2020	82,418	63.7%	36.3%	34,416	67.9%	32.1%	8.7%
2021 ⁽⁴⁾	85,651	64.5%	35.5%	35,998	68.7%	31.3%	3.9%
2022	92,071	65.2%	34.8%	38,663	69.3%	30.7%	7.5%
2026	113,571	67.6%	32.4%	47,695	71.6%	28.4%	5.4%(1a)
2031	132,609	69.9%	30.1%	54,575	73.7%	26.3%	3.1%(1b)
2033	141,417	70.8%	29.2%	56,568	74.3%	25.7%	3.3%(1c)

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

- (1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes at the end of the concession period (2) G18: Rongwu Expressway Pocang to Laiyuan East in the end of 2017, the traffic impact will last until 2018; (3) Qugang Expressway Quyang to Suning and Taihang Mountain Expressway Laiqu section, New Beijing Airport completed; (4) Jinshi Expressway.

Table 5-7 Annual Revenue Forecasts (Sensitivity Test 2) on Baojin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥2,066,835	¥ 754,394,617	10.0%	¥28,823,711
2018	¥2,344,026	¥ 855,569,447	13.4%	¥29,833,477
2019	¥2,497,031	¥ 911,416,418	6.5%	¥31,111,672
2020	¥2,705,356	¥ 990,160,260	8.3%	¥32,322,953
2021	¥2,763,583	¥1,008,707,905	2.2%	¥32,101,326
2022	¥2,937,070	¥1,072,030,425	6.3%	¥33,079,183
2026	¥3,510,414	¥1,281,301,021	4.6%(2a)	¥34,129,756
2031	¥3,884,325	¥1,417,778,498	2.0%(2b)	¥34,129,756
2033 ⁽⁴⁾	¥3,985,954	¥ 976,558,772	1.3%(2c)	¥22,184,341

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 2nd September 2033.

5.4 Sensitivity Test 3

Since toll variations would be introduced on a province wide basis, there will be minimal diversions among freeways in the road network. As a result, it has been assumed that future traffic volumes will remain the same as the Base Case. Based on assumptions shown in Table 5-1, the forecasted traffic volumes at section flows, toll charges for various vehicle types for the Base year and an annual toll hike of 5% in every 5 years following the base year for the analysis of 2016 (i.e. 2021, 2026 and 2031), the future revenues for the "Toll Rate Adjustment" scenario are summarised in Tables 5-8. The revenue losses caused by toll free vehicles during major festivities were categorised separately for reference.

Table 5-8 Annual Revenue Forecasts (Sensitivity Test 3) on Baojin Expressway

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥2,051,130	¥ 748,662,320	9.1%	¥28,802,542
2018	¥2,306,352	¥ 841,818,402	12.4%	¥29,744,369
2019	¥2,437,990	¥ 889,866,482	5.7%	¥30,934,582
2020	¥2,626,630	¥ 961,346,408	7.7%	¥32,074,462
2021 ⁽⁴⁾	¥2,796,967	¥1,020,892,984	6.5%	¥33,367,866
2022	¥2,959,460	¥1,080,203,054	5.8%	¥34,318,886
2026 ⁽⁴⁾	¥3,717,846	¥1,357,013,613	5.9%(2a)	¥37,814,495
2031 ⁽⁴⁾	¥4,349,451	¥1,587,549,539	3.2%(2b)	¥39,705,220
2033 ⁽⁵⁾	¥4,451,521	¥1,090,622,667	1.2%(2c)	¥25,808,393

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Toll increase of 5%. (5) Forecast period ends at 2nd September 2033.

6 Conclusion

Baojin Expressway is part of the Rongwu Expressway and is also an important component of the national expressway system. It provides one of the fast passages between Hebei/Shanxi Provinces and Tianjin/Tianjin Port and Huanghua Port. It helps to drive, maintain and sustain rapid growth of Tianjin Municipality, Baoding, Shijiazhuang, Cangzhou and Shanxi Province.

This study carried out future traffic volume and revenue forecasting for periods from 1st January 2017 to 2nd September 2033. The major Study results are summarised as follows:

- 1) From 1st January 2017 to 2nd September 2033, the forecasted annual average daily traffic on Baojin Expressway traffic would increase from 61,750 vehicles/day in 2017 to 136,449 vehicles/day during the respective periods, representing a growth of 121.0%;
- 2) The forecasted annual revenue on Baojin Expressway would increase from 0.749 billion RMB/year in 2017 to 1.392 billion RMB/year in 2032. From 2017 to 2nd September 2033, Baojin Expressway traffic would generate a total revenue of 19.062 billion RMB.

The information contained in this report has been obtained through the Consultant's primary research (i.e. traffic-related surveys at the toll stations), as well as secondary research (i.e. information obtained from the project company), and third parties such as government or official sources.

The study approach of this report includes information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Assumptions in the economic model and traffic forecasting model take account of historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in this report are based on generally

accepted procedures and practises in the industry. All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing this report. 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 cannot be predicted at this juncture. In addition, the results of this Study only reflect the general traffic and revenue variations over the entire commissioned period of Baojin Expressway. Discrepancies for certain individual year(s) may still be possible. Despite significant efforts used by the Consultant to maintain technical excellence in the exercise, the Consultant accepts no responsibility or liability for any inaccurate forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, MHKIE, MCILT

Project Director

For and on behalf of

WB Group Consulting (Shenzhen) Limited

Mr. Leung is a chartered professional planner and engineer with over 20 years of experience in various fields, including 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, South Korea and the PRC.

Set out below are the texts of the report received from WB Group Consulting (Shenzhen) Limited, an independent traffic consultant, in connection with traffic study on Tangjin Expressway for inclusion in this prospectus.



WB Group Consulting (Shenzhen) Limited
Room 1703, Shenhua Commercial Building,
2018 Jiabin Rd, Luohu District,
Shenzhen, P.R. China

27 June 2017

The Directors
RKE International Holdings Limited,
Room 501, 5/F., Block 6,
The Gateway, 9, Canton Road, Tsim Sha Tsui,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

Tangjin Expressway in Hebei Province

Traffic and Revenue Forecasting Study—Executive Summary

WB Group Consulting (Shenzhen) Limited (the “Consultant”) was appointed by RKE International Holdings Limited to carry out an independent traffic and revenue forecasts for Tangjin Expressway in Hebei Province (“the Project Road”).

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

Figure 1-1 Location of Tangjin Expressway



1 Introduction

National expressway G25 Tangshan-Tianjin Expressway (“**Tangjin Expressway**”) is a component of Changchun-Shenzhen Expressway, one of the eleven vertical north-south national expressways. It connects Tangshan and Tianjin and is a major road connecting the southern and eastern coastal areas in Hebei including Tianjin, Tangshan, Qinhuangdao and the north-eastern region of China. It is a part of Tangshan East Outer Ring Expressway and it

is also the connecting route of Beijing-Harbin Expressway and Beijing-Taipei Expressway, two of the seven radial expressways from the capital. The location of the Tangjin Expressway was shown on Figure 1-1.

The Route

The Tangjin Expressway has a total length of 58.209 km. Located in Hebei Province, the Tangjin Expressway route connects Tangshan and Tianjin and is a part of Tangshan East Outer Ring Expressway. It is also a major corridor connecting the southern and eastern coastal areas in Hebei and the north-eastern region of China.

Tangjin Expressway is a closed system expressway¹ with five toll plazas and two interchanges which are all fully operational. It has dual six lane carriageways between Hebei/Tianjin border and Lianhuapo and dual four lane carriageways between Lianhuapo and Beijing-Harbin Expressway. The expressway has a design speed of 120 km per hour. The maximum speed limit is 120 km per hour.

Tangjin Expressway has been collecting tolls since its operation in 1996 and is fully operational.

Destinations and Major Connections

- *Tianjin, Tangshan and Qinhuangdao:* The Tangjin Expressway route forms a major economic corridor between Fengrun and Fengnan, and it reaches major cities such as Tianjin, Tangshan and Qinhuangdao. The expressway is well positioned to benefit from the economic growth in Tangshan, which is one of the cities contributing to the economic development of Hebei. The number of passenger vehicles in Tangshan has increased from 2011 to 2015. Key economic growth drivers in Tangshan include steel and coal production, machinery and equipment, chemical, food processing and shipping industry (as led by the development of its surrounding ports), among others.
- *Railway, highways and expressways and ports:* Tangjin Expressway provides a link to various important facilities including railway, highways and expressways (such as Beijing-Harbin Expressway, Tangshan-Jingtang Expressway, Tangshan-Chengde Expressway and Tangshan-Caofeidian Expressway) and ports including Jingtang Port, Caofeidian Port, Tianjin Port and Huanghua Port.
- *Changchun to Shenzhen Expressway:* Tangjin Expressway is a component of the Changchun-Shenzhen Expressway. Changchun-Shenzhen Expressway is one of the eleven lines running in the north-south direction in the PRC national expressway network, providing steady traffic flow into Tangjin Expressway from the south.
- *Beijing-Harbin Expressway and Beijing-Taipei Expressway:* Both the Beijing-Harbin Expressway and the Beijing-Taipei Expressway are fully operational and constitute part of the key road network connecting Tangjin Expressway.

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

Existing Competing Roads/Rails

Tangjin Expressway faces the following existing competition:

- *Yanhai Expressway and G205 National Highway:* The Yanhai Expressway and G205 National Highway are considered to be Tangjin Expressway's competing roads. However, as these roads have been coexisting with Tangjin Expressway for many years, their impact on Tangjin Expressway has already been reflected in the past and current traffic flow on Tangjin Expressway.

Interchanges

Tangjin Expressway currently has two interchanges which connect Tangjin Expressway to the major connecting roads linking the highly populous and industrial areas in the north- eastern, eastern and southern regions of the PRC. Tangjin Expressway is also a part of a major trunk road connecting the southern and eastern coastal areas of Hebei including Tianjin, Tangshan and Qinhuangdao and a transportation corridor for goods in and out of the nearby ports including Jingtang Port, Caofeidian Port, Tianjin Port and Huanghua Port.

2 Study Approach

The study approach and work steps are summarised below:

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

Step 2 : Existing Year Traffic Conditions—Based on the traffic and revenue information collected, the current economic and development activities along the Tangjin Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Tangjin Expressway to determine the 2017 annual average daily traffic, value of time and operation costs of Tangjin Expressway

Step 3 : Road Network Development in Traffic Forecasting Model—This task included the development of a computer simulation model to replicate the existing traffic conditions along Tangjin Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programmes for the period referred to in Section 4—6. "Road Network" below from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

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

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

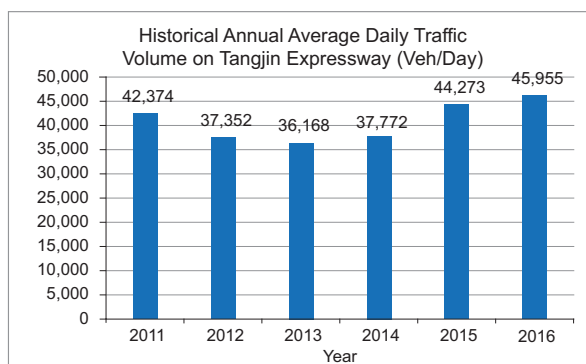
Step 6 : Traffic and Revenue Forecast—The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised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

3 Traffic and Revenue Data Collection and Analysis

3.1 Historical Traffic and Revenue Data

The Tangjin Expressway has been opened for 21 years since 1996. The Consultant considers that the traffic composition, vehicular modes and traffic volumes have become stabilised by the time of the report . The Consultant has summarised the historical annual average daily traffic volume for the years 2011-2016 in Figure 3-1. The Consultant obtained the 2011-2016 revenue information from Hebei Tangjin Expressway Co., Ltd. and the historical annual revenue on Tangjin Expressway are summarised in Figure 3-2.

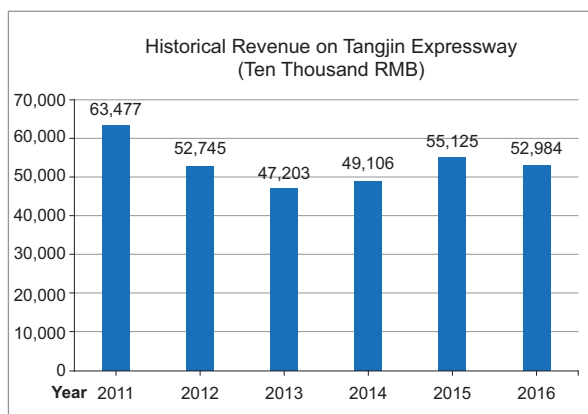
Figure 3-1 Historical Annual Average Daily Traffic Volume for Tangjin Expressway (Veh/Day)



Source : Hebei Tangjin Expressway Co., Ltd., 2017

Note: The average daily traffic volume refers to the total traffic using the road per day during the relevant year, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations.

Figure 3-2 Historical Annual Revenue for Tangjin Expressway (Ten Thousand RMB)



Source : Hebei Tangjin Expressway Co., Ltd., 2017

3.2 Station-to-Station Traffic and Revenue Data

The Consultant obtained from the Hebei Province District 3² Expressway Revenue Records the Station-to-Station traffic data for 3rd – 9th July 2016. This information included all main related traffic information on revenue system of Hebei Province Expressway including in- out time and locations, vehicle types, toll charge categories, toll revenue and gross weight (trucks). This enabled the Consultant to understand the composition of vehicle stream, the origin and destination of the traffic, variation in traffic volume during the week and distance travelled on Tangjin Expressway.

The advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station revenue records were:

- The results were recorded by electronic devices without the process of on-site investigations and surveys, thereby avoiding causing the disturbance to the traffic;
- The results were directly issued by the “Clearing Centre of the Tolling System of the Hebei Province Expressway Network” without mistakes possibly made through manual data entry and coding processes. This enhanced the accuracy of the base traffic data used in subsequent analyses;
- The information represented 100% of the 24-hour revenue records on the expressway system. The discrepancies and problems likely to be incurred by a survey sampling method were thereby avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic level, travel directions and the traffic composition on Tangjin Expressway, the Consultant undertook the following 24-hour traffic surveys on 6th July 2016 (normal weekday and fine weather): Origin-

² District 1—Expressways within the seven districts to the south of Beijing and Tianjin; District 2—Expressways within the Zhangjiakou district. District 3—Expressways within Chengde, Tangshan and Qinhuangdao districts. Baojin Expressway falls into the category of District 1 & 2 whereas Tangjin Expressway falls into the category of District 3.

Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow traffic counts surveys.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. The Consultant carried out a total of 9185 O-D survey samples at the 5 toll stations. An overall sampling rate of 43.4% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types with very low traffic volumes, the overall sampling representation for all vehicle types was satisfactory. The Consultant also collected the traffic flow and classification data of the Hebei Province Road Network on the survey days to validate the survey results.

Classified Traffic Count Surveys

Classified traffic count surveys comprised classified traffic count survey at toll stations and classified section-flow traffic count surveys on Tangjin Expressway. The results of the traffic count surveys were used to calibrate the base year traffic forecasting results and are summarised in Table 3-1.

Table 3-1 Classified Traffic Count Survey Results (Vehicles)

<u>Survey Location</u>	<u>Direction</u>	<u>PV1</u>	<u>PV2</u>	<u>PV3</u>	<u>PV4</u>	<u>GV1</u>	<u>GV2</u>	<u>GV3</u>	<u>GV4</u>	<u>GV5</u>	<u>Total</u>
Fengnan West	In	5468	43	45	48	1173	408	506	200	5672	13563
	Out	4611	44	23	41	1080	484	340	387	4499	11509
Tianzhuang	In	80	52	19	0	1	0	0	7	33	192
	Out	96	1	0	0	49	9	4	4	68	231
Tangshan South	In	746	6	5	3	274	92	36	38	361	1561
	Out	822	9	2	3	302	112	28	48	379	1705
Tanggang	In	1924	51	22	4	639	443	129	259	1240	4711
	Out	1959	10	12	14	688	198	75	141	1693	4790
Tangshan East	In	1984	61	18	6	354	138	34	41	172	2808
	Out	2080	15	13	6	554	70	26	26	147	2937
Tangshan Service Area	Tangshan—Tianjin	4693	132	5	153	777	165	106	171	3156	9358
	Tianjin—Tangshan	4536	109	106	153	565	311	319	371	2042	8512

Source: Consultant, 2016.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (more than 39 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tonnes), Class 2 Truck (2-5 (inclusive) tonnes), Class 3 Truck (5-10 (inclusive) tonnes), Class 4 Truck (10-15 (inclusive) tonnes and 20 feet container) and Class 5 Truck (More than 15 tonnes and 40 feet container) respectively.

4 Basic Approach and Key Assumptions

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

1. *Forecasting Period:* Year 2017 to 30th January 2023.
2. *Socio-Economic Model:* The purpose of this model was to derive the relationship developed between historical socio-economic (mainly GDP) and traffic demand to forecast future traffic generation. Major components include:

Model Input:

 - Historical socio-economic data (refer to sub-section 4 below)
 - Historical traffic data (refer to Section 3 above)
 - Future socio-economic assumptions (refer to sub-section 4 below)

Model Output:

 - Future traffic growth
3. *Traffic Forecasting Model:* Professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant developed 730 traffic analysis zones (Traffic Analysis Zone, TAZ) within the province to do the analysis. The purpose of the traffic forecasting model was 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. Major components include:

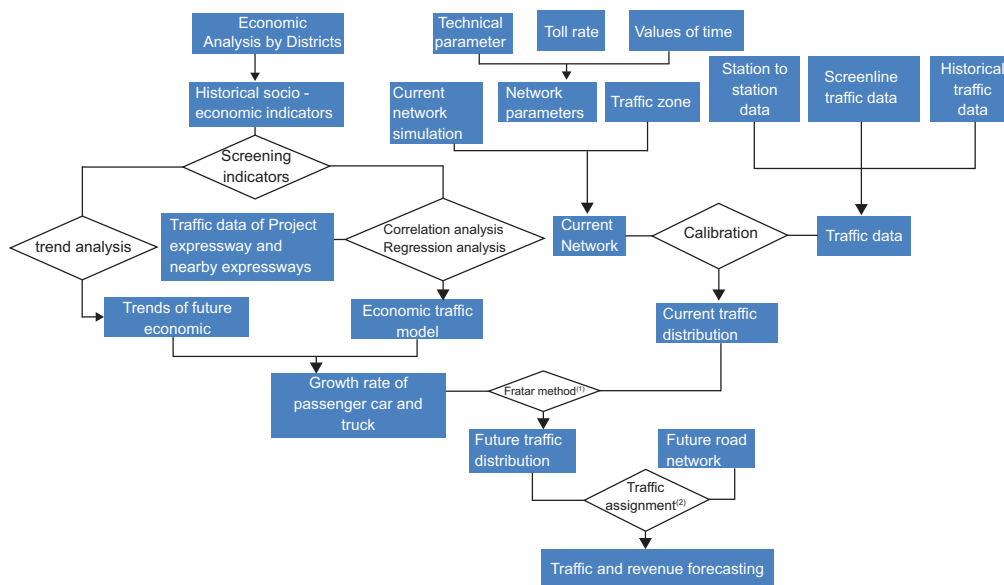
Model Input:

 - Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
 - Base year model calibration (refer to sub-section 5 below)
 - Future traffic growth (refer to sub-section 2 above)
 - Road and rail network (refer to sub-section 6 below)
 - Passenger car unit conversion (refer to sub-section 7 below)
 - Toll rate (refer to sub-section 8 below)
 - Volume delay functions and capacity (refer to sub-section 9 below)
 - Traffic assignment (refer to sub-section 10 below)

Model Output:

 - Future year traffic volume and revenue

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant, 2016

Notes:

- (1) represents a mathematical approach to balance the trip matrices in the future years
- (2) means the selection of paths between the points of origin and the points of destination in the transportation network

4. Socio-economic Factors:

In order to investigate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, port throughputs, population, car ownership and income per capita were closely studied. The selected economic parameters were then subjected to correlation and regression analyses. It was found that the traffic growth was mainly correlated to GDP growth.

Historical GDP real growth is summarised in Table 4-1. The short-term real GDP growth patterns in 2017-2020 for economic zones in the project expressway's province as well as the adjacent provinces with significant origin-destination trips (from station-to-station data) were estimated by making reference to the historical average growth and the economic growth target of the 13th—Five years plans (2016-2020) of China, and certain provinces and municipalities.

The targeted real GDP growth by 2020 of China, Hebei Province, Henan Province, Shanxi Province, Shandong Province, Inner Mongolia, Liaoning Province, Tianjin Municipality and Beijing Municipality by 2020 are 6.5%, 7.0%, 8.0%, 6.5%, 7.5%, 7.5%, 6.5%, 8.5% and 6.5% respectively.

For the longer-term, growth rate assumptions for China subsequent to the years covered by the 13th Five-year plans (2016-2020), the consultant has assumed that the growth is expected to trend down as economies becomes increasingly mature and with a larger economic base. This is consistent with global experience. China GDP growth forecast for years 2021-2025 is estimated based on the estimated growth trend in 2017-2020. It is expected that the extent of growth will experience a decrease of 1.0-2.0% in every five-year increment, by

making reference to some other source of global economic projection such as Organisation for Economic Co-operation and Development (OECD). The expected growth patterns for different provinces were based on individual local economic development and growth trends. Future GDP assumptions are summarised in Table 4-2.

Table 4-1 Historical GDP Growth

	2011	2012	2013	2014	2015	2011-2015 Average Growth
Hebei Province	11.3%	9.6%	8.2%	6.5%	6.8%	8.5%
Henan Province	11.6%	10.1%	9.0%	8.9%	8.3%	9.6%
Shanxi Province	12.9%	10.1%	8.9%	4.9%	3.1%	8.0%
Shandong Province	10.9%	9.8%	9.6%	8.7%	8.0%	9.4%
Inner Mongolia	14.3%	11.7%	9.0%	7.8%	7.7%	10.1%
Liaoning Province	12.1%	9.5%	8.7%	5.8%	3.0%	7.8%
Tianjin Municipality	16.4%	13.8%	12.5%	10.0%	9.3%	12.4%
Beijing Municipality	8.1%	7.7%	7.7%	7.3%	6.9%	7.5%
China	9.5%	7.9%	7.8%	7.3%	6.9%	7.9%

Source: Data available up to 2015 for Statistical Yearbooks of China, Hebei, Henan, Shanxi, Shandong, Inner Mongolia, Liaoning, Tianjin and Beijing (2012-2016). The annual GDP growth rate between 2011 and 2015 are calculated at constant prices.

Table 4-2 Future GDP Growth Assumption

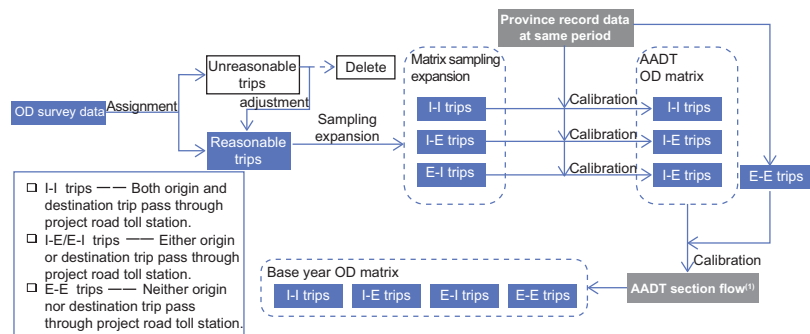
	2011-2015 Average Growth	2017-2020	2021-2025
Hebei Province	8.5%	7.0%	5.5%
Henan Province	9.6%	8.0%	6.0%
Shanxi Province	8.0%	6.5%	5.0%
Shandong Province	9.4%	7.5%	5.0%
Inner Mongolia	10.1%	7.5%	5.5%
Liaoning Province	7.8%	6.5%	5.0%
Tianjin Municipality	12.4%	8.5%	6.5%
Beijing Municipality	7.5%	6.5%	5.5%
China	7.9%	6.5%	5.0%

Source: 13th Five Year Plan of China, Hebei, Henan, Shanxi, Shandong, Inner Mongolia, Liaoning, Tianjin and Beijing for 2017-2020, Organisation for Economic Co-operation and Development (OECD), Consultant's assumption for 2021-2025.

5. *Traffic Model Calibration:*

The Consultant has calibrated the traffic model against existing traffic conditions. The procedure is summarised in the following figure. According to the calibrated results, the forecasted volumes were compatible to the observed volumes (most discrepancies were $\pm 10\%$). The Consultant concluded that the calibrated model could adequately replicate travel paths on the freeway system and could be used to perform future traffic/revenue forecasting on the project expressway.

Figure 4-2 Model Calibration Procedure



Source: Consultant, 2016

Note:

(1) "AADT" means annual average daily traffic

Table 4-3 Traffic Model Calibration Results (Vehicles/Peak Hour)

Calibration Location	Direction	Observed	Modelled	Difference
Fengnan West	In	1026	1027	0.1%
	Out	970	970	0.0%
Tianzhuang	In	24	24	-0.5%
	Out	20	19	-2.0%
Tangshan South	In	118	118	0.7%
	Out	138	139	0.4%
Tanggang	In	360	360	0.0%
	Out	328	328	0.1%
Tangshan East	In	255	254	-0.7%
	Out	278	276	-0.6%
Tangshan Service Area	Tianjin—Tangshan	662	662	0.0%
	Baoding—Tangshan	611	613	0.3%

Source: Consultant, 2016

6. *Road and Rail Network:* In the base year road network development process, the Consultant made use of the existing Hebei Province Expressway Network map and the official Hebei Expressway Network Plan (developed by the Expressway Management Bureau) as the starting point 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.

For future years, in order to adequately assess the impacts of future highway work changes in Hebei Province on traffic demands (traffic attraction or diversion) on the project expressway, the Consultant collected the Hebei Province highway construction programmes as stipulated in the 13th Five-years Plan in which future highway infrastructure projects for the years 2017 to 2022 are identified. All these new highways were coded into EMME/3 in order to evaluate the impact of the new highway(s) on Tangjin Expressway. There is no official source available for planned highway infrastructure projects after 2022.

Based on the traffic assignment model results, significant impacts on the Tianjin Expressway were predicted to happen in 2018 and 2020. In 2018, the S51 Qian'an—Caofeidian Expressway will be opened to traffic. This expressway is expected to divert away certain traffic that would otherwise use Project expressway to travel between Qian'an City and Caofeidian. In 2020, the S62 Beidaihu International Airport Expressway, the G1N Jingqin Expressway from Zunhua Section to Qinhuangdao Section, the G1N Beijing—Qinhuangdao Expressway from Da'an Town to Pingan Town, the S53 Qian'an City - Chifeng Expressway and the S9962 Qinhuangdao West Expressway will be opened to traffic. These new highways will have a positive impact to traffic on Tangjin Expressway. The traffic impacts on the project road due to the opening of the above-mentioned roads are summarised in the following table.

Table 4-4 New Expressways with Traffic Impact

Name	Opening Year	Traffic Diversion / Attraction Impact on the project road
S51: Qian'an City—Caofeidian Expressway	2018	Traffic Diversion Impact
S53: Qianxi—Chifeng Expressway	2020	Traffic Attraction Impact
G1N: Beijing—Qinhuangdao Expressway (Zunhuai Section to Qinhuangdao Section)	2020	Traffic Attraction Impact
G1N: Beijing—Qinhuangdao Expressway (Da'an Town Section to Pingan Town Section)	2020	Traffic Attraction Impact
S72: Tanglang Expressway (Tangshan Section)	2020	Traffic Attraction Impact
S62: Beidaihe International Airport Expressway	2020	Traffic Attraction Impact
S9962 Qinhuangdao West Expressway	2020	Traffic Attraction Impact

Source: Consultant, 2017

Note: New Expressways which are not shown on the list above have been tested in the traffic model and the traffic impacts are insignificant (due to different alignment serving different travel demand corridors or being too far away from the Tangjin Expressway)

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 Tangjin Expressway.

Existing: Zhangjiakou—Caofeidian Port Railway: It starts from the north at Zhangjiakou and ends at Caofeidian Port for a distance of 528 km. It is a new passage linking Zhangjiakou, Chengde and Tangshan. It not only provides a much needed railway link between Inner Mongolia and Hebei districts, it also forms a new transportation route between Beijing, Tianjin and Hebei Province. Its main operation is for freight transport with relatively limited passenger services. It went into operation in December 2015.

Tianjin—Qinhuangdao Passenger Train: It has a total length of 261 km with a design speed of 350 km/hr. It connects Tianjin, Junliang Chengbei, Binhai, BinhaiBei, Tangshan, Luanhu, Lulongnan, Beidaihu and Qinhuangdao. It went into operation in December 2013 and has an annual passenger capacity of 80 million persons.

Planned: Tangshan—Caofeidian Intercity Rail: It is a mixed freight/passenger service and has a design speed of 120 km/hr. Construction is scheduled to begin operation by mid 2016 and would be in service in 2018.

Since the base year for the study was assumed to be 2017 in which both the Zhangjiakou—Caofeidian Port Railway and the Tainjin—Qinhuangdao Passenger Train were already in operation, their impact on the Tangjin Expressway traffic were already reflected in the base year. The Tangshan - Caofeidian Intercity Rail would have minimal impact on Tangjin Expressway because it has a different alignment with Tangjin Expressway.

7. *Passenger Car Unit (PCU):*

Traffic is generally heterogeneous consisting of a variety of vehicles comprising a wide range of static and dynamic characteristics. All types of vehicles were converted into equivalent “passenger car units (PCU)” before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables (such as headway, speed, density) compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-5 Passenger Car Units

Vehicle Type	No.	Name	Conversion Factor
Passenger Car	1	Class 1	1.0
	2	Class 2	1.5
	3	Class 3	2.0
	4	Class 4	2.5
	5	Class 1	1.5
Truck	6	Class 2	2.0
	7	Class 3	2.5
	8	Class 4	2.5
	9	Class 5	3.0

Source: Consultant, 2016

8. *Toll Rates:*

The Hebei Province Price Bureau and the Finance Department (document [2005]66: Notification on Hebei Expressways' Toll Standard) have recognised inconsistencies among toll charging mechanisms (RMB/veh-km) on different toll highways in the Province. The basic toll and weight-base toll (for trucks only) charging systems were established as shown in Table 4-6 and Table 4-7 respectively. In its study, the Consultant has assumed that the existing toll rate will continue until the end of the concession period on the project expressway in the base case.

Table 4-6 Tangjin Expressways Basic Toll Charges (RMB/Km)

Class 1	Class 2	Class 3	Class 4	Class 5
0.5	0.88	1.38	1.7	0.11 RMB/Tonnes—KM

Source: Hebei Tangjin Expressway Co., Ltd., 2016

Class 1: Truck (2 tonnes or less), Passenger Cars (7 Seats or less); Class 2: Truck (2-5 tonnes), Passenger Cars (8- 19 seats); Class 3: Truck (5-10 tonnes), Passenger Cars (20-39 Seats); Class 4: Truck (10-15 tonnes), Passenger Cars (40 Seats or More); Class 5: Truck (More than 15 tonnes)

Table 4-7 Tangjin Expressways Weight-base Toll Charges (RMB/tonne-km)

	Category	Toll Charges By Vehicle Weight
Regular Weight	Standard Rates	0.08 RMB/tonne-km
	10 tonnes or less	0.08 RMB/tonne-km
	10 tonnes to 49 tonnes	Linear reduction to 55% of standard rates
	More than 49 tonnes	0.044 RMB/tonne-km

Source: Hebei Tangjin Expressway Co., Ltd., 2016

Overweight penalty*: Any 0-30% overweight portion is charged with Base Rate; any 30%-100% overweight portion is charged with a linearly increasing rate of 1 to 6 times the Base Rate; any >100% overweight portion is charged with 16 times the Base Rate. For truck's cargo weight > 55 tonnes, the toll rate is charged at 16 times the standard rate Trucks carrying fresh and agricultural products in regular weight that are qualified to "Green Passage" policy will be free of charge . Over-weight trucks by 5% or more are excluded.

Based on the 24th July 2012 Notification on "Toll Free Options for Small Passenger Cars During Major National Festivities", small passenger cars enjoy toll free travel on expressways during Spring Festival, Qing Ming Festival, Labour Festival and National Holiday Festival. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all Government approved expressways, including Tangjin Expressway.

Based on the Notification on "Enhancement of the "Green Passage" Policy for the transportation of fresh and agricultural products, with effect on 1st December 2010, all toll roads are included in the "Green Passage" network for the transportation of fresh and agricultural products. Trucks carrying fresh and agricultural products in regular weight that are qualified to the "Green Passage" policy will be free of charge. Over-weight trucks by 5% or more are excluded.

In order to assess the impact of these policies, the Consultant studied the implementation plan of the Notification on "Toll Free Policy during Major National Festivities", namely Spring Festival, Qing Ming Festival, Labour Festival and National Festival, which covers a total of 20 days as well as the "Green Passage" Policy. The impact was accounted for in the traffic and revenue forecasting procedures and results. The Consultant also assumed that these toll free policies will last till the end of the concession period of Tangjin Expressway.

9. *Traffic Volume Delay Functions and Road Capacity:*

Base year capacity between Jingha Interchange to Fengnan Interchange = 80,194 (PCU/day) or equivalent to 41,458 (veh/day). No future road expansion is assumed in the base case.

Base year capacity between Fengnan Interchange and Fengnan West Main Line Toll Station = 120,145 (PCU/day) or equivalent to 62,187 (veh/day). No future road expansion is assumed in the base case.

Travel time is usually derived directly from speed which in turn would be influenced by level of congestion on the road. Congestion level on the project expressway in the base year was calculated. To estimate future travel speeds on Tangjin Expressway under continuous traffic growth, a "capacity constrained" model was used.

The major factors that may affect the capacity of an expressway include design standards (design speed), vehicle type composition and hourly distribution of daily traffic demands (peak hour factor). The assumptions adopted for the planning and design of the project

expressway included design speed of 120 km/hr, level of service C ($0.55 \leq \text{Volume/Capacity Ratio} \leq 0.75$), section flow capacity of 1650 pcu/lane/hr (refer to Highway Engineering Technical Specifications—JTG B01-2014), and peak hour factor of 8.24% (obtained from traffic survey and station-station traffic data).

Based on the above parameters, the project road section-flow capacity in the base year is 80,194 (PCU/day), which is equivalent to 41,458 (veh/day) (between Jingha Interchange to Fengnan Interchange) by using the average passenger car conversion factor of 1.934 pcu/veh (obtained from traffic survey and station-station traffic data). Similarly, the project road section-flow capacity between Fengnan Interchange and Fengnan West Main Line Toll Station in base year is 120,145 (PCU/day), which is equivalent to 62,187 (veh/day). However, changes in the ratio of passenger cars to trucks using Tangjin Expressway in the future will affect the section flow capacity measured in number of vehicles on Tangjin Expressway and accordingly the time at which usage reaches full capacity. The future capacity of the Tangjin Expressway may therefore vary from the base year calculation.

10. *Traffic Assignment:*

This study adopted “generalised-cost” as the factor to influence the basis for decisions to select travel paths by the trip makers. This arrives at a balanced trip distribution on the road network within the study area. The “generalised 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 road users’ willingness to pay certain travel costs and travelling speed/congestion levels on the Tangjin Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs is allocated by the model to the path of the lowest generalised cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. For example: If there are 2 highways of the same class in an iteration, the highway which carries the lower volume would be selected as the travel path. However, in a subsequent iteration, these 2 highways may have different generalised costs which would then dictate which would be the more attractive path. 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 study approach and key assumptions described in Section 4, the base year for the analysis was set at 2016. Future traffic volumes and revenues are forecasted below for the years 2017-2022 (being the period up to which assessment of the impacts of future highway work changes has been made) and for the period of the concession during the last year of its term.

In addition to the base case, sensitivity tests were also carried out. The description of the sensitivity tests are summarised in Table 5-1.

Table 5-1 Description of Scenarios

Scenarios	Major Impacts
(1) Base Case	Based on the key assumptions in Section 4.
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;
(4) Sensitivity Test 3	Based on the Base Case, the toll rates were increased by 5% every 5 years

Source: Consultant, 2016

5.1 Base Case Scenario

Based on the above considerations, the traffic flows and toll revenue forecasts of Tangjin Expressway for the period 2017-2023 are shown in Table 5-2 and Table 5-3 respectively.

Table 5-2 Annual Average Daily Traffic (Base Case) on Tangjin Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	50,879	41.3%	58.7%	22,764	43.5%	56.5%	10.7%
2018 ⁽²⁾	56,392	41.2%	58.8%	25,181	43.7%	56.3%	10.8%
2019	61,480	42.4%	57.6%	27,435	44.7%	55.3%	9.0%
2020 ⁽³⁾	68,414	42.9%	57.1%	30,551	44.9%	55.1%	11.3%
2021	75,035	43.4%	56.6%	33,357	45.1%	54.9%	9.7%
2022	80,733	44.1%	55.9%	35,826	45.7%	54.3%	7.6%
2023	85,340	44.6%	55.4%	37,798	46.3%	53.7%	5.7%

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2023 (2) S51: opening of Qiancao Expressway (3) Opening of S62: Beidaihe Airport Expressway, G1N: Opening of Zunhua to Qinhuangdao section on Jingqin Expressway; S53: Hebei section on Qianxi to Chifeng Expressway and S9962

Table 5-3 Annual Revenue Forecasts (Base Case) on Tangjin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥1,607,596	¥586,772,711	11.0%	¥15,927,576
2018	¥1,776,088	¥648,272,290	10.5%	¥17,690,445
2019	¥1,911,982	¥697,873,472	7.7%	¥19,747,930
2020	¥2,130,561	¥779,785,154	11.4%	¥21,588,516
2021	¥2,323,903	¥848,224,441	9.1%	¥23,079,803
2022	¥2,479,457	¥905,001,879	6.7%	¥23,971,110
2023 ⁽⁴⁾	¥2,598,468	¥ 77,954,032	4.8%	¥ 8,447,172

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2023. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 30th January 2023.

5.2 Sensitivity Test 1

Tables 5-4 to 5-5 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% reductions in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-4 Annual Average Daily Traffic (Sensitivity Test 1) on Tangjin Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	50,389	41.5%	58.5%	22,522	43.7%	56.3%	9.6%
2018 ⁽²⁾	55,144	41.7%	58.3%	24,571	43.9%	56.1%	9.4%
2019	59,456	42.6%	57.4%	26,463	45.0%	55.0%	7.8%
2020 ⁽³⁾	65,561	43.1%	56.9%	29,331	45.2%	54.8%	10.3%
2021	71,555	43.6%	56.4%	31,841	45.5%	54.5%	9.1%
2022	76,791	44.3%	55.7%	34,058	46.1%	53.9%	7.3%
2023	80,905	44.8%	55.2%	35,782	46.7%	53.3%	5.4%

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2023 (2) S51: opening of Qiancao Expressway (3) Opening of S62: Beidaihe Airport Expressway, G1N: Opening of Zunhua to Qinhuangdao section on Jingqin Expressway; S53: Hebei section on Qianxi to Chifeng Expressway and S9962 opening

Table 5-5 Annual Revenue Forecasts (Sensitivity Test 1) on Tangjin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥1,588,333	¥579,741,371	9.7%	¥15,819,123
2018	¥1,727,872	¥630,673,179	8.8%	¥17,329,641
2019	¥1,836,699	¥670,395,172	6.3%	¥19,167,627
2020	¥2,037,389	¥745,684,238	10.9%	¥21,165,214
2021	¥2,207,808	¥805,849,865	8.4%	¥22,719,832
2022	¥2,344,636	¥855,792,240	6.2%	¥23,948,993
2023 ⁽⁴⁾	¥2,445,740	¥ 73,372,191	4.3%	¥ 8,529,615

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2023. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 30th January 2023.

5.3 Sensitivity Test 2

Tables 5-6 to 5-7 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% increases in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Annual Average Daily Traffic (Sensitivity 2) on Tangjin Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	51,279	41.2%	58.8%	22,954	43.5%	56.5%	11.6%
2018 ⁽²⁾	57,010	41.2%	58.8%	25,501	43.6%	56.4%	11.2%
2019	62,853	42.2%	57.8%	28,050	44.5%	55.5%	10.2%
2020 ⁽³⁾	71,335	42.8%	57.2%	31,841	44.7%	55.3%	13.5%
2021	78,286	43.2%	56.8%	34,925	44.8%	55.2%	9.7%
2022	84,558	43.9%	56.1%	37,708	45.4%	54.6%	8.0%
2023	89,691	44.4%	55.6%	39,978	45.9%	54.1%	6.1%

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow: the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2023 (2) S51: opening of Qiancao Expressway (3) Opening of S62: Beidaihe Airport Expressway, G1N: Opening of Zunhua to Qinhuangdao section on Jingqin Expressway; S53: Hebei section on Qianxi to Chifeng Expressway and S9962 opening

Table 5-7 Annual Revenue Forecasts (Sensitivity Test 2) on Tangjin Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥1,622,341	¥592,154,586	12.1%	¥16,035,825
2018	¥1,798,965	¥656,622,296	10.9%	¥17,878,119
2019	¥1,959,010	¥715,038,827	8.9%	¥20,092,315
2020	¥2,228,434	¥815,606,715	13.8%	¥21,992,088
2021	¥2,442,229	¥891,413,478	9.6%	¥23,303,029
2022	¥2,621,784	¥956,951,060	7.4%	¥23,830,169
2023 ⁽⁴⁾	¥2,761,112	¥ 82,833,355	5.3%	¥ 8,417,052

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2023. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 30th January 2023.

5.4 Sensitivity Test 3

Since toll variations would be introduced on a province wide basis, there will be minimal diversions among freeways in the road network. As a result, it has been assumed that future traffic volumes will remain the same as the Base Case. Based on assumptions shown in Table 5-1, the forecasted traffic volumes at section flows, toll charges for various vehicle types for the Base year and an annual toll hike of 5% in every 5 years following the base year for the analysis of 2016 (i.e. 2021), the future revenues for the "Toll Rate Adjustment" scenario are summarised in Tables 5-8. The revenue losses caused by toll free vehicles during major festivities were categorised separately for reference.

Table 5-8 Annual Revenue Forecasts (Sensitivity Test 3) on Tangjin Expressway

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥1,607,596	¥586,772,711	11.0%	¥15,927,576
2018	¥1,776,088	¥648,272,290	10.5%	¥17,690,445
2019	¥1,911,982	¥697,873,472	7.7%	¥19,747,930
2020	¥2,130,561	¥779,785,154	11.4%	¥21,588,516
2021 ⁽⁴⁾	¥2,440,098	¥890,635,663	14.5%	¥24,233,793
2022	¥2,603,430	¥950,251,973	6.7%	¥25,169,665
2023 ⁽⁵⁾	¥2,728,391	¥ 81,851,734	4.8%	¥ 8,869,530

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2023. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Toll increase of 5%. (5) Forecast period ends at 30th January 2023

6 Conclusion

Tangjin Expressway serves as a high speed highway between North-east regions and the Huadong / Huanan districts. It is also one of the major expressways linking Tangshan City (including Caofeidian Port and Jingtang Port) and Tianjin Municipality (including Port) with the external economy. It is instrumental in promoting and sustaining economic growth at Tianjin Municipality, Tangshan and Qinhuangdao.

This study carried out future traffic volume and revenue forecasting for periods from 2017 to 30th January 2023. The major Study results are summarised as follows:

- 1) From 2017 to 30th January 2023, the forecasted annual average daily traffic on Tangjin Expressway traffic would increase from 50,879 vehicles/day to 85,340 vehicles/day during the respective periods, representing a growth of 67.7%;
- 2) The forecasted annual revenue on Tangjin Expressway would increase from 0.59 billion RMB/year in 2017 to 0.91 billion RMB/year in 2022. From 2017 to 30th January 2023, Tangjin Expressway traffic would generate a total revenue of 4.54 billion RMB.

The information contained in this report has been obtained through the Consultant's primary research, i.e. traffic-related surveys at the toll stations as well as secondary research, i.e. information obtained from the project company, and third parties such as government or official sources.

The study approach of this report includes information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Assumptions in the economic model and traffic forecasting model take account of historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in this report are based on generally accepted procedures and practices in the industry. All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing this report. 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 cannot be predicted at this

junction. In addition, the results of this Study only reflect the general traffic and revenue variations over the entire commissioned period of Tangjin Expressway. Discrepancies for certain individual year(s) may still be possible. Despite significant efforts used by the Consultant to maintain technical excellence in the exercise, the Consultant accepts no responsibility or liability for any inaccurate forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, MHKIE, MCILT

Project Director

For and on behalf of

WB Group Consulting (Shenzhen) 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, South Korea and the PRC.

Set out below are the texts of the report received from WB Group Consulting (Shenzhen) Limited, an independent traffic consultant, in connection with traffic study on Changyi Expressway for inclusion in this prospectus.



WB Group Consulting (Shenzhen) Limited,
Room 1703, Shenhua Commercial Building,
2018 Jiabin Rd, Luohu District,
Shenzhen, P.R. China

27 June 2017

The Directors
RKE International Holdings Limited
Room 501, 5/F., Block 6,
The Gateway, 9, Canton Road, Tsim Sha Tsui,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

Changyi Expressway in Hunan Province

Traffic and Revenue Forecasting Study—Executive Summary

WB Group Consulting (Shenzhen) Limited (the “Consultant”) was appointed by RKE International Holdings Limited to carry out an independent traffic and revenue forecasts for Changyi Expressway in Hunan Province (“the Project Road”).

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

1 Introduction

National Expressway G5513 Changsha-Yiyang Expressway (“**Changyi Expressway**”) is one of the premier east-west transportation corridors in Hunan Province. It links two major cities, Changsha City 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. It is also connected to three national level economic development zones. Changyi Expressway is the major connecting route to the Changsha-Yongnan Expressway and Changsha Huanghua International Airport. The location of Changyi Expressway is shown in Figure 1-1.

Figure 1-1 Location of Changyi Expressway



The Route

The Changyi Expressway has a total length of 68.9 km. Changyi Expressway connects Changsha City, the capital of Hunan Province, and Yiyang City, a major city in Hunan Province. It is also a major connecting route between Changsha and Zhangjiajie, the first national forest park and a key tourist location in Hunan Province. In addition, Changyi Expressway is also connected to three national level economic development zones namely, Changsha Hi-Tech Industrial Development Zone, Ningxiang Economic and Technological Development Zone and Yiyang Hi-Tech Industrial Development Zone and benefits from an increase in freight and logistic transportation flowing into these development zones. Finally, Changyi Expressway also gives motorists the accessibility to the Changsha-Yongan Expressway and Changsha Huanghua International Airport.

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

Changyi Expressway has been collecting tolls since its operation in 1998 and is fully operational.

Destinations and Major Connections

- *Changsha City, Ningxiang and Yiyang City:* Changyi Expressway reaches major cities in the Changsha-Zhuzhou-Xiangtan region, including Changsha City, the capital of Hunan Province, Ningxiang and Yiyang City, and benefits from the traffic flows between Hunan and Chongqing. Key economic growth drivers in the region serviced by Changyi Expressway include the food processing industry, advanced machinery and equipment industry as well as other new- and high- technology industries, tourism and modern agriculture.
- *National economic development zones:* The expressway is connected to three national development zones, namely the Changsha Hi-Tech Industrial Development Zone, Ningxiang Economic and Technological Development Zone and Yiyang Hi-Tech Industrial Development Zone. The expressway is expected to benefit from an increase in freight and logistic transportation flowing into these development zones.
- *Airport and major highways:* Changyi Expressway is connected to the Changsha-Yong'an Expressway and Changsha Huanghua Airport. In addition, Changyi Expressway provides the connection between two national trunk roads connecting *Yiyang, Changde, Zhangjiajie and Chongqing cities to the west, and Nanchang and Hangzhou to the east.* Major highway connections include Yining Cheng Ji Gan Dao, Jinzhou Avenue and National Highway G319.
- *Changsha-Zhangjiajie Expressway and major feeder road connections:* Changyi Expressway is a part of the Changsha-Zhangjiajie Expressway and also connects to the Yueyang-Linwu Expressway and Yiyang Bypass Expressway.

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

Existing Competing Roads/Rails

- *Erliahaote-Guangzhou Expressway (Hunan Section)*: After Erliahaote-Guangzhou Expressway (Hunan Section) commenced operation at the end of 2016, the route has diverted certain trucks originating from the north of Changde City and the south of Yongzhou City away from Changyi Expressway and Yiyang-Changde Expressway.

Interchanges

Changyi Expressway currently has two interchanges which connect Changyi Expressway to Yueyang-Linwu Expressway and Yiyang Bypass Expressway, connecting Changyi Expressway with highly populous cities in Hunan.

2 Study Approach

The study approach and work steps are summarised below:

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

Step 2 : Existing Year Traffic Conditions—Existing Year Traffic Conditions—Based on the traffic and revenue information collected by the Consultant, the current economic and development activities along the Changyi Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Changyi Expressway to determine the 2017 annual average daily traffic, value of time and operation costs of Changyi Expressway.

Step 3 : Road Network Development in Traffic Forecasting Model—This task included the development of a computer simulation model to replicate the existing traffic conditions along Changyi Expressway. The computer model simulation software EMME/3 was used to develop a model of the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programmes for the period referred to in Section 4 –6. “Road Network” below from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

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

Step 5 : Traffic Forecasting Model Development—The results of Steps 2-4 formulated the basis for development of a computer traffic forecasting model. The remaining works were

to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 5.

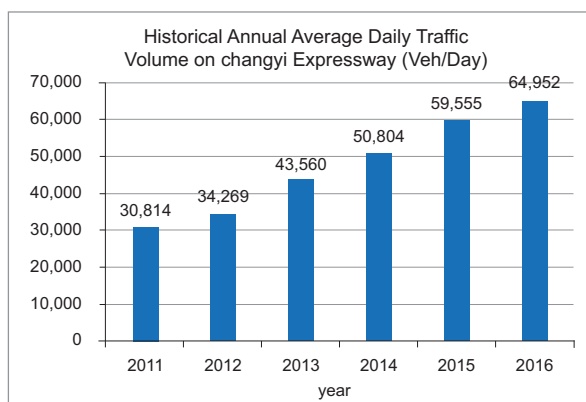
Step 6 : Traffic and Revenue Forecast—The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised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

3 Traffic and Revenue Data Collection and Analysis

3.1 Historical Traffic and Revenue Data

Changyi Expressway has been open for 18 years since 1998. The Consultant considers that the traffic composition, vehicular modes and traffic volumes have become stabilised by the time of the report. The Consultant summarised the historical annual average daily traffic volume for the years 2011-2016 in Figure 3-1. The Consultant obtained the 2011 – 2016 revenue information from Hunan Changyi Expressway Ltd. and the historical annual revenue on Changyi Expressway are summarised in Figure 3-2.

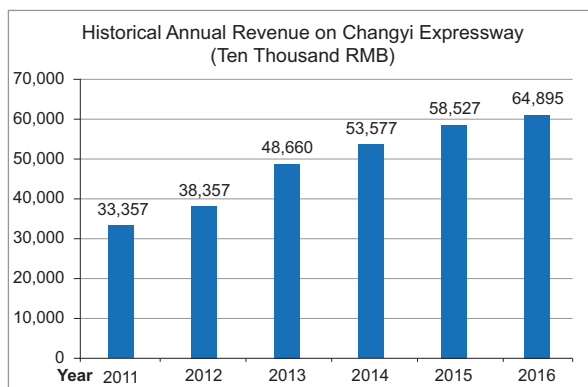
Figure 3-1 Historical Annual Average Daily Traffic Volume for Changyi Expressway (Veh/Day)



Source : Hunan Changyi Expressway Co., Ltd., 2017

Note: The average daily traffic volume refers to the total traffic using the road per day during the relevant year, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations.

Figure 3-2 Historical Annual Revenue for Changyi Expressway (Ten Thousand RMB)



Source: Hunan Changyi Expressway Co, Ltd., 2017

3.2 Station-to-Station Traffic and Revenue Data

The Consultant obtained from the Hunan Province Expressway Revenue Records the Station-to-Station traffic characteristics in Hunan Province on 11st – 17th July 2016 and the Station-to-Station traffic flow data in Hunan Province on 19th – 25th June 2016. These information included all main related traffic information on revenue system of Hunan Province Expressway including in-out time and locations, vehicle types, toll charge categories, toll revenue and gross weight (trucks). This would also enable the Consultant to understand the composition of vehicle stream, the origin and destination of the traffic, variation in traffic volume during the week and distance travelled on Changyi Expressway.

The advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station revenue records were:

- The results were record by electronic devices without the process of on-site investigations and surveys, it could eliminate the disturbance to the traffic;
- The results were directly issued by the “Clearing Centre of the Tolling System of the Hunan Province Expressway Network” without mistakes possibly made through manual data entry and coding processes. This will enhance the accuracy of the base traffic data used in subsequent analyses;
- The information represented 100% of the 24-hour revenue records on the expressway system. The discrepancies and problems likely to be incurred by the survey sampling method could be avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic level, travel directions and the traffic composition on Changyi Expressway, the Consultant undertook the following 24-hour traffic surveys on 13th July 2016 (normal weekday and fine weather): Origin-Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow traffic counts surveys.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. The Consultant carried out a total of 19,862 O-D survey samples at the 7 toll stations for an overall sampling rate of 40.2% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types of very low traffic volumes, the overall sampling representation for all vehicle types was satisfactory. The Consultant also collected the traffic flow and classification data of the Hunan Province Road Network on the survey days to validate the survey results.

Classified Traffic Count Surveys

Classified traffic count surveys comprised in-out classified traffic count survey at toll stations and classified section-flow traffic count surveys on Changyi Expressway. The results of the traffic count surveys were used to calibrate the base year traffic forecasting results and are summarised in Table 3-1.

Table 3-1 Classified Traffic Count Survey Results (Vehicles)

Station	Direction	PV 1	PV 2	PV 3	PV 4	GV 1	GV 2	GV 3	GV 4	GV 5
Changsha West	In	21125	195	467	412	1448	332	283	122	637
Youren	In	392	1	1	0	23	4	0	1	7
Guanshan	In	1629	10	8	2	129	33	18	14	60
Jinzhou	In	1601	19	30	18	212	38	23	15	133
Ningxiang	In	5284	14	103	29	529	68	141	22	270
Chuanjiao River	In	657	16	22	23	91	17	14	17	13
Chaoyang	In	6128	21	252	115	484	77	85	28	223
Ningxiang Service Area	Changsha—Yiyang	13525	869	339	897	1072	580	342	250	638
Ningxiang Service Area	Changsha—Yiyang	16885	806	531	955	1174	454	316	333	538
Yiyang Service Area	Changsha—Yiyang	9678	490	294	541	744	311	264	311	451
Yiyang Service Area	Yiyang—Changsha	11757	237	492	527	912	784	566	472	396

Source: Consultant, 2016.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (more than 39 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tonnes), Class 2 Truck (2-5 (inclusive) tonnes), Class 3 Truck (5-10 (inclusive) tonnes), Class 4 Truck (10-15 (inclusive) tonnes and 20 feet container) and Class 5 Truck (More than 15 tonnes and 40 feet container) respectively.

4 Basic Approach and Key Assumptions

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

1. *Forecasting Period:* Year 2017 to 13th October 2024
2. *Socio—Economic Model:* The purpose of this model was to derive the relationship developed between historical socio-economic (mainly GDP) and traffic demand to forecast future traffic generation. Major components include:

Model Input:

- Historical socio-economic Data (refer to sub—section 4 below),

- Historical traffic data (refer to Section 3 above),
- Future socio—economic assumptions (refer to sub—section 4 below),

Model Output:

- Future traffic growth

3. *Traffic Forecasting Model:*

Professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant developed 909 traffic analysis zones (Traffic Analysis Zone, TAZ) within the province to do the analysis. The purpose of the traffic forecasting model was 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. Major components include:

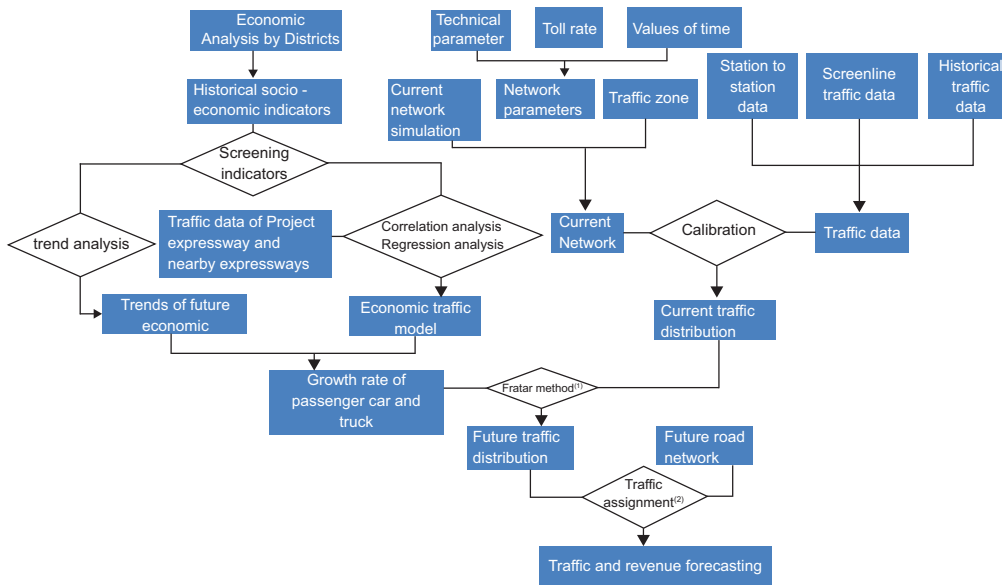
Model Input:

- Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
- Base year model calibration (refer to sub-section 5 below)
- Future traffic growth (refer to sub-section 2 above)
- Road and rail network (refer to sub-section 6 below)
- Passenger car unit conversion (refer to sub-section 7 below);
- Toll rate (refer to sub-section 8 below);
- Volume delay functions and capacity (refer to sub-section 9 below);
- Traffic assignment (refer to sub-section 10 below)

Model Output:

- Future year traffic volume and revenue;

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant, 2016

Notes:

- (1) represents a mathematical approach to balance the trip matrices in the future years
- (2) means the selection of paths between the points of origin and the points of destination in the transportation network

4. *Socio-economic Factors:* In order to investigate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters were closely studied. The selected economic parameters including the GDP, population, car ownership and income per capita were then subjected to correlation and regression analyses. It was found that the traffic growth was mainly correlated to GDP growth.

Historical GDP real growth is summarised in Table 4-1. The short-term real GDP growth patterns in 2017-2020 for economic zones in the project expressway's province as well as the adjacent provinces with significant origin-destination trips (from station- to-station data) were estimated by making reference to the historical average growth and the economic growth target of the 13th—Five years plans (2016-2020) of China, and certain provinces and municipalities.

The targeted real GDP growth by 2020 of China, Hunan Province, Hubei Province, Jiangxi Province, Guangdong Province, Guangxi Province, Chongqing Municipality and Guizhou Province by 2020 are 6.5%, 8.5%, 9.0%, 8.5%, 7.0%, 7.5%, 9.0%, 10.0% respectively.

For the longer-term, growth rate assumptions for China subsequent to the years covered by the 13th Five-year plans (2016-2020), the consultant has assumed that the growth is expected to trend down as economies becomes increasingly mature and with a larger economic base. This is consistent with global experience. China GDP growth forecast for years 2021-2025 is estimated based on the estimated growth trend in 2017-2020. It is expected that the extent of growth will experience a decrease of 1.0-2.0% in the next five-year time slot, with reference to some other source of global economic projection such as Organisation for Economic Co-operation and Development (OECD). The expected growth patterns for different provinces were based on individual local economic development and growth trends. Future GDP assumptions are summarised in Table 4-2.

Table 4-1 Historical GDP Growth

	2011	2012	2013	2014	2015	2011-2015 Average Growth
Hunan Province	12.8%	11.3%	10.1%	9.5%	8.5%	10.4%
Hubei Province	13.8%	11.3%	10.1%	9.7%	8.9%	10.8%
Jiangxi Province	12.5%	11.0%	10.1%	9.7%	9.1%	10.5%
Guangdong Province	10.0%	8.2%	8.5%	7.8%	8.0%	8.5%
Guangxi Province	12.3%	11.3%	10.2%	8.5%	8.1%	10.1%
Chongqing Municipality	16.4%	13.6%	12.3%	10.9%	11.0%	12.8%
Guizhou Province	15.0%	13.6%	12.5%	10.8%	10.7%	12.5%
China	9.5%	7.9%	7.8%	7.3%	6.9%	7.9%

Source: Data available up to 2015 for Statistical Yearbooks of China, China, Hunan, Hubei, Jiangxi, Guangdong, Guangxi, Chongqing and Guizhou (2012-2016). The annual GDP growth rate between 2011 and 2015 are calculated at constant prices.

Table 4-2 Future GDP Growth Assumption

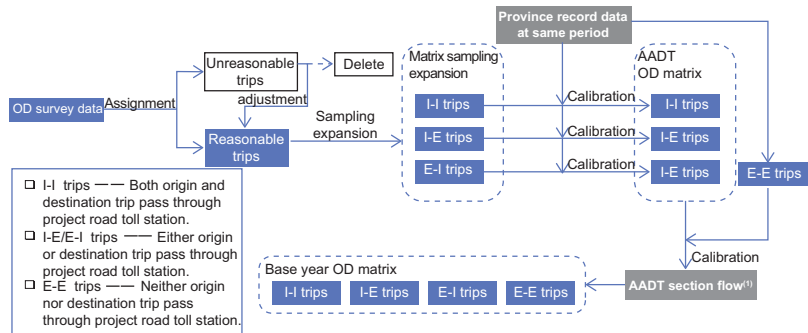
	2011-2015 Average Growth	2017-2020	2021-2025
Hunan Province	10.4%	8.5%	7.0%
Hubei Province	10.8%	9.0%	7.0%
Jiangxi Province	10.5%	8.5%	7.0%
Guangdong Province	8.5%	7.0%	6.0%
Guangxi Province	10.1%	7.5%	6.0%
Chongqing Municipality	12.8%	9.0%	7.0%
Guizhou Province	12.5%	10.0%	7.0%
China	7.9%	6.5%	5.0%

Source: 13th Five Year Plan of China, Hunan, Hubei, Jiangxi, Guangdong, Guangxi, Chongqing and Guizhou for 2017-2020, Organisation for Economic Co-operation and Development (OECD), Consultant’s assumption for 2021-2025.

5. *Traffic Model Calibration:*

The Consultant has calibrated the traffic model against existing traffic conditions. The procedure is summarised in the following figure. According to the calibrated results, the forecasted volumes were compatible to the observed volumes (most discrepancies were ±10%). The Consultant concluded that the calibrated model could adequately replicate travel paths on the freeway system and could be used to perform future traffic/revenue forecasting on Changyi Expressway.

Figure 4-2 Model Calibration Procedure



Source: Consultant, 2016

Note:

(1) “AADT” means annual average daily traffic

Table 4-3 Traffic Model Calibration Results (Vehicles/Peak Hour)

Calibration Location	Direction	Observed	Modelled	Difference
Zhangxiang—Youren	Changsha—Yiyang	2495	2566	2.86%
	Yiyang—Changsha	2447	2465	0.75%
Youren—Guanshan	Changsha—Yiyang	2468	2538	2.82%
	Yiyang—Changsha	2353	2434	3.48%
Jinzhou—Ningxiang	Changsha—Yiyang	2219	2271	2.34%
	Yiyang—Changsha	1998	2133	6.78%
Ningxiang—Quanjiao River	Changsha—Yiyang	1929	1959	1.53%
	Yiyang—Changsha	1863	1870	0.39%
Quanjiao River—Sujiaba	Changsha—Yiyang	1766	1845	4.47%
	Yiyang—Changsha	1745	1789	2.49%
Chaoyang—Terminal	Changsha—Yiyang	1288	1324	2.83%
	Yiyang—Changsha	1261	1300	3.07%
Changsha West Station	In	2177	2242	3.01%
	Out	2068	2142	3.55%
Youren Station	In	45	49	10.47%
	Out	50	46	-6.51%
Guanshan Station	In	147	165	11.82%
	Out	154	150	-2.57%
Jinzhou Station	In	207	226	9.14%
	Out	213	206	-3.23%
Ningxiang Station	In	534	504	-5.60%
	Out	524	553	5.55%
Quanjiao River Station	In	160	146	-8.50%
	Out	173	179	3.59%

Source: Consultant, 2016

6. *Road and Rail Network:* In the base year road network development process, the Consultant made use of the existing Hunan Province Expressway Network map and the official Hunan Expressway Network Plan (developed by the Expressway Management Bureau) as the starting point 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.

For future years, in order to adequately assess the impacts of future highway work changes in Hunan Province on traffic demands (traffic attraction or diversion) on the project expressway, the Consultant collected the Hunan Province highway construction programmes as stipulated in Hunan's 13th Five-year Plan in which future highway infrastructure projects for the years 2017 to 2022 are identified. All these new highways were coded into EMME/3 in order to evaluate the impact of the new highway(s) on Changyi Expressway. There is no official source available for planned highway infrastructure projects after 2022.

Based on the traffic assignment model results, significant impacts on Changyi Expressway were predicted to happen in 2018, 2020 and 2021. The Yiyang-Loudi Expressway is anticipated to be operated by

the end of 2017. From 2018 onwards, part of the traffic using Changyi Expressway from Jianjiaao interchange to Chaoyang Station would be diverted to Yiyang-Loudi Expressway. The Changsha-Yiyang Expressway Parallel Line is anticipated to be operated by the end of 2019. From 2020 onwards, part of the traffic using the Changyi Expressway would be diverted to the Changsha-Yiyang Expressway Parallel Line. The Yiyang-Changde Expressway Parallel Line is anticipated to be operated by the end of 2020. From 2021 onwards, part of the long-distance traffic using the Changyi Expressway would be diverted to the Yiyang-Changde Expressway Parallel Line.

Chongqing-Changsha-Xiamen High Speed Rail is anticipated in operation in 2021, part of the longer distance passenger traffic (i.e. Class 3 and Class 4 passenger car) on Changyi Expressway would be diverted to the transport mode of Chongqing-Changsha-Xiamen High Speed Rail. The traffic impacts on the project road due to the opening of the above-mentioned roads and rail line are summarised in the following table.

Table 4-4 New Expressway with Traffic Impact

Name	Opening Year	Traffic Diversion / Attraction Impact on the project road
Yiyang-Loudi Expressway	End of 2017	Traffic Diversion Impact
Changsha—Yiyang Expressway Parallel Line	End of 2019	Traffic Diversion Impact
Yiyang—Changde Expressway Parallel Line	End of 2020	Traffic Diversion Impact
Chongqing—Changsha—Xiamen High Speed Rail	2021	Traffic Diversion Impact

Source: Consultant, 2016

Note: New Expressways which are not shown on the list above have been tested in the traffic model and the traffic impacts are insignificant (due to different alignment serving different travel demand corridors or being too far away from Changyi Expressway)

7. *Passenger Car Unit (PCU):*

Traffic is generally heterogeneous consisting of a variety of vehicles comprising a wide range of static and dynamic characteristics. All types of vehicles were converted into equivalent “passenger car units (PCU)” before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables (such as headway, speed, density) compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-5 Passenger Car Units

Vehicle Type	No.	Name	Conversion Factor
Passenger Car	1	Class 1	1.0
	2	Class 2	1.5
	3	Class 3	2.0
	4	Class 4	2.5
	5	Class 1	1.5
Truck	6	Class 2	2.0
	7	Class 3	2.5
	8	Class 4	2.5
	9	Class 5	3.0

Source: Consultant, 2016

8. *Toll Rate:* According to the expressway toll collection guidelines published by the Hunan Government in 2013, the basic toll and weight-base toll (for trucks only) charging systems were established as shown in Table 4-6. The additional charge for Changyi Expressways Zijiang 2 Bridge is shown in Table 4-7. In its study, the Consultant has assumed that the existing toll rate will continue until the end of the concession period on the project expressway in the base case.

Table 4-6 Hunan Province Expressways Basic Toll Charges

		<u>Category</u>	<u>Toll Charges By Vehicle Types</u>
By Class	Class 1	Trucks (2 tonnes or less) and passenger cars (7 seats or less)	0.4 RMB/veh-km
	Class 2	Trucks (more than 2 tonnes to 5 tonnes) and passenger cars (8-19 seats)	0.7 RMB/veh-km
	Class 3	Trucks (more than 5 tonnes to 10 tonnes) and passenger cars (20-39 seats)	1.0 RMB/veh-km
	Class 4	Trucks (more than 10 tonnes to 15 tonnes), trailers (20 ft) and passenger cars (40 or more seats)	1.2 RMB/veh-km
	Class 5	Trucks (more than 15 tonnes) and trailers (40 ft)	1.4 RMB/veh-km
		<u>Category</u>	<u>Toll Charges By Vehicle Weight</u>
By Weight	Standard Rates		0.08 RMB/tonne-km
		10 tonnes or less	0.08 RMB/tonne-km
	Regular Weight	10 tonnes to less than 40 tonnes	Linear reduction from 0.08 RMB/tonne-km to 0.04/tonne-km
		40 tonnes or more	0.04 RMB/tonne-km
		Over-weighted by less than 30%	The over weighed portion will be charged based on a linear reduction formulae from 1 to 4 times the regular charges.
	Over- Weight	Over-weight by 30% to less than 100%	The over weighed portion will be charged based on a linear reduction formulae from 4 to 10 times the regular charges.
Over-weighted by more than 100%		The over weighted portion will be charged from 10 times the regular charges	

Source: Hunan Changyi Expressway Co., Ltd., 2016

Note : 1. Trucks of 5 tonnes or less will be charged at 5 tonnes standard rates. 2. The toll charges were adjusted based on the following rounding method : delete charges less than 0.49, round up to 1 RMB for charges between 0.5 – 0.99, and round up to 5 RMB for “adjusted” total charges of less than 5 RMB. 3. Trucks carrying fresh and agricultural products in regular weight that are qualified to “Green Passage” policy will be free of charge. Over-weight trucks by 5% or more are excluded.

Table 4-7 Changyi Expressways Zijiang Second Bridge Cumulative Standard Toll charges

Supplementary Charges	Toll Charge by Class				Toll Charge by Weight	
	Class 1	Class 2	Class 3	Class 4-5	M≤20Tonnes	M>20Tonnes
Toll Standards (RMB/vehicle)	5	5	10	10	5	10

Note : M is the total weight of truck + commodity to be measured directly at the toll station.

Source : Hunan Changyi Expressway Co., Ltd., 2016

Based on the 24th July 2012 Notification on “Toll Free Options for Small Passenger Cars During Major National Festivities”, small passenger cars enjoy toll free travel on expressways during Spring Festival, Qing Ming Festival, Labour Festival and National Holiday Festival. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all Government approved expressways, including Changyi Expressway.

Based on the Notification on “Enhancement of the “Green Passage” Policy for the transportation of fresh and agricultural products, with effect on 1st December 2010, all toll roads are included in the “Green Passage” network for the transportation of fresh and agricultural products. Trucks carrying fresh and agricultural products in regular weight that are qualified to the “Green Passage” policy will be free of charge. Over-weight trucks by 5% or more are excluded.

In order to assess the impact of these policies, the Consultant studied the implementation plan of the Notification on “Toll Free Policy during Major National Festivities”, namely Spring Festival, Qing Ming Festival, Labour Festival and National Festival, which covers a total of 20 days as well as the “Green Passage” Policy. The impact was accounted for in the traffic and revenue forecasting procedures and results. The Consultant also assumed that these toll free policies will last till the end of the concession period of Changyi Expressway.

9. *Traffic Volume Delay Functions and Road Capacity:*

Base year capacity = 81,988 (PCU/day) or equivalent to 70,074 (veh/day). No future road expansion is assumed.

Travel time is usually derived directly from speed which in turn would be influenced by level of congestion on the road. Congestion level on the project expressway in the base year was calculated. To estimate future travel speeds on Changyi Expressway under continuous traffic growth, a “capacity constrained” model was used.

The major factors that may affect the capacity of an expressway include design standards (design speed), vehicle type composition and hourly distribution of daily traffic demands (peak hour factor). The assumptions adopted for the planning and design of the project expressway included design speed of 120 km/hr, level of service C ($0.55 \leq \text{Volume/Capacity Ratio} \leq 0.75$), section flow capacity of 1650 pcu/lane/hr (refer to Highway Engineering Technical Specifications—JTG B01-2014), and peak hour factor of 8.05% (obtained from traffic survey and station-station traffic data).

Based on the above parameters, the project road section-flow capacity in the base year is 81,988 (PCU/day), which is equivalent to 70,074 (veh/day) by using the average passenger car conversion factor of 1.17 pcu/veh (obtained from traffic survey and station-station traffic data). However, changes in the ratio of passenger cars to trucks

using Changyi Expressway in the future will affect the section flow capacity measured in number of vehicles on Changyi Expressway and accordingly the time at which usage reaches full capacity. The future capacity of Changyi Expressway may vary therefore from the base year calculation.

10. Traffic Assignment:

This study adopted “generalised-cost” as the factor to influence the basis for decisions to select travel paths by the trip makers.

This arrives at a balanced trip distribution on the road network within the study area. The “generalised 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 road users’ willingness to pay certain travel costs and travelling speed/congestion levels on the Changyi Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs is allocated by the model to the path of the lowest generalised cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. For example: If there are 2 highways of the same class in an iteration, the highway which carries the lower volume would be selected as the travel path. However, in a subsequent iteration, these 2 highways may have different generalised costs which would then dictate which would be the more attractive path. 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 study approach and key assumptions described in Section 4, the base year for the analysis was set at 2016. Future traffic volumes and revenues are forecasted below for the years 2017-2022 (being the period up to which assessment of the impacts of future highway work changes has been made) and for the period of the concession during the last year of its term

In addition to the base case, sensitivity tests were also carried out. The description of the sensitivity tests are summarised in Table 5-1.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	Based on the key assumptions in Section 4.
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;
(4) Sensitivity Test 3	Based on the Base Case, the toll rates were increased by 5% every 5 years

Source: Consultant, 2016

5.1 Base Case Scenario

Based on the above considerations, the traffic flows and toll revenue forecasts of Changyi Expressway for the period 2017-2022 and for the period of the concession during the last year of its current term are shown in Table 5-2 and Table 5-3 respectively.

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

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	70,750	88.1%	11.9%	50,360	87.6%	12.4%	8.9%
2018 ⁽²⁾	76,646	88.2%	11.8%	54,175	87.8%	12.2%	8.3%
2019	82,825	88.1%	11.9%	57,635	87.7%	12.3%	8.1%
2020 ⁽³⁾	87,389	88.3%	11.7%	59,031	87.8%	12.2%	5.5%
2021 ⁽⁴⁾	82,559	87.9%	12.1%	56,656	88.3%	11.7%	-5.5%
2022	85,598	87.9%	12.1%	58,905	88.4%	11.6%	3.7%
2024	96,700	87.8%	12.2%	61,594	88.6%	11.4%	6.3%(1a)

Source: The Consultant, 2017.

Note : (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes at the end of the concession period. (2) Opening of Yiyang-Loudi Expressway; (3) Opening of Changyi Expressway Parallel Road; (4) Opening of Yiyang-Changde Expressway Parallel Road and Chongqing-Zhang-Xia high speed rail.

Table 5-3 Annual Revenue Forecasts (Base Case) on Changyi Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	1,888,832	689,423,746	6.5%	30,896,298
2018	2,029,143	740,637,217	7.4%	30,896,298
2019	2,160,097	788,435,469	6.5%	30,896,298
2020	2,204,495	806,845,023	2.1%	30,896,298
2021	2,096,441	765,201,028	-4.9%	30,896,298
2022	2,174,524	793,701,362	3.7%	30,896,298
2024 ⁽⁴⁾	2,274,113	652,178,182	2.3%(2a)	30,896,298

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. the average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 13th Oct, 2024.

5.2 Sensitivity Test 1

Tables 5-4 to 5-5 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% reductions in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-4 Average Daily Traffic Volume (Sensitivity Test 1) on Changyi Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	69,892	88.3%	11.7%	49,765	87.8%	12.2%	7.6%
2018 ⁽²⁾	74,862	88.5%	11.5%	52,981	88.2%	11.8%	7.1%
2019	79,985	88.7%	11.3%	56,154	88.3%	11.7%	6.8%
2020 ⁽³⁾	83,461	89.0%	11.0%	57,397	88.4%	11.6%	4.3%
2021 ⁽⁴⁾	78,093	88.8%	11.2%	55,061	89.0%	11.0%	-6.4%
2022	80,297	88.9%	11.1%	57,224	89.2%	10.8%	2.8%
2024	89,183	89.2%	10.8%	60,114	89.4%	10.6%	5.4%(1a)

Source: The Consultant, 2017.

Note : (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes at the end of the concession period. (2) Opening of Yiyang-Loudi Expressway; (3) Opening of Changyi Expressway Parallel Road; (4) Opening of Yiyang-Changde Expressway Parallel Road and Chongqing-Zhang-Xia high speed rail.

Table 5-5 Annual Revenue Forecasts (Sensitivity Test 1) on Changyi Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	1,864,551	680,560,949	5.2%	30,072,056
2018	1,980,036	722,713,114	6.2%	30,072,056
2019	2,097,142	765,456,882	5.9%	30,072,056
2020	2,136,310	781,889,561	1.9%	30,072,056
2021	2,030,040	740,964,721	-5.0%	30,072,056
2022	2,103,779	767,879,313	3.6%	30,072,056
2024 ⁽⁴⁾	2,209,519	633,653,822	2.5%(2a)	30,072,056

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 13th Oct, 2024.

5.3 Sensitivity Test 2

Tables 5-6 to 5-7 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% increases in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Annual Average Daily Traffic (Sensitivity Test 2) on Changyi Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	71,546	88.0%	12.0%	50,915	87.5%	12.5%	10.1%
2018 ⁽²⁾	78,258	87.9%	12.1%	55,194	87.5%	12.5%	9.4%
2019	85,370	87.7%	12.3%	58,790	87.5%	12.5%	9.1%
2020 ⁽³⁾	91,126	87.8%	12.2%	60,429	87.4%	12.6%	6.7%
2021 ⁽⁴⁾	86,755	87.2%	12.8%	58,036	87.8%	12.2%	-4.8%
2022	90,652	87.1%	12.9%	60,439	88.0%	12.0%	4.5%
2024	104,007	86.8%	13.2%	62,520	88.2%	11.8%	7.1%(1a)

Source: The Consultant, 2017.

Note : (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017-2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes at the end of the concession period. (2) Opening of Yiyang-Loudi Expressway; (3) Opening of Changyi Expressway Parallel Road; (4) Opening of Yiyang-Changde Expressway Parallel Road and Chongqing-Zhang-Xia high speed rail.

Table 5-7 Annual Revenue Forecasts (Sensitivity Test 2) on Changyi Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue (RMB) ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	1,910,937	697,492,137	7.8%	31,557,356
2018	2,070,348	755,677,096	8.3%	31,557,356
2019	2,203,050	804,113,122	6.4%	31,557,356
2020	2,261,499	827,708,765	2.7%	31,557,356
2021	2,152,487	785,657,910	-4.8%	31,557,356
2022	2,235,303	815,885,561	3.8%	31,557,356
2024 ⁽⁴⁾	2,297,931	659,080,707	1.4%(2a)	31,557,356

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017-2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 13th October 2024.

5.4 Sensitivity Test 3

Since toll variations would be introduced on a province wide basis, there will be minimal diversions among freeways in the road network. As a result, it has been assumed that future traffic volumes will remain the same as the Base Case. Based on assumptions shown in Table 5- 1, the forecasted traffic volumes at section flows, toll charges for various vehicle types for the Base year and an annual toll hike of 5% in every 5 years following the base year for the analysis of 2016 (i.e. 2021), the future revenues for the “Toll Rate Adjustment” scenario are summarised in Tables 5-8. The revenue losses caused by toll free vehicles during major festivities were categorised separately for reference.

Table 5-8 Annual Revenue Forecasts (Sensitivity Test 3) on Changyi Expressway

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue (RMB) ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	1,888,832	689,423,746	6.5%	30,896,298
2018	2,029,143	740,637,217	7.4%	30,896,298
2019	2,160,097	788,435,469	6.5%	30,896,298
2020	2,204,495	806,845,023	2.1%	30,896,298
2021 ⁽⁴⁾	2,200,547	803,199,720	-0.2%	32,441,113
2022	2,281,073	832,591,726	3.7%	32,441,113
2024 ⁽⁵⁾	2,383,973	683,684,237	2.2%(2a)	32,441,113

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017- 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Toll increase of 5%. (5) Forecast period ends on 13th October 2024

6 Conclusion

Changyi Expressway is part of the G5513 Chang Zhang Expressway. It is a highway passage connecting the east/west external regions of Chengdu and Chongqing. It starts at the east from Xiang River North Bridge to the south ramp of the Yiyang Zi River Second Bridge.

This study carried out future traffic volume and revenue forecasting between 2017 and 13th October 2024. The major Study results are summarised as follows:

- 1) From 2017 to 13th October, 2024, the forecasted annual average daily traffic on Changyi Expressway would increase from 70,750 vehicles/day to 96,700 vehicles/day during the respective periods, representing a growth of 36.7%.
- 2) The forecasted annual revenue on Changyi Expressway would increase from billion 0.69 RMB/year in 2017 to 0.82 billion RMB/year in 2023. From 2017 to 13th October, 2024, Changyi Expressway traffic would generate a total revenue of 6.23 billion RMB.

The information contained in this report has been obtained through its primary research, i.e. traffic-related surveys at the toll stations as well as secondary research, i.e. information obtained from the project company, and third parties such as government or official sources.

The study approach of this report includes information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Assumptions in the economic model and traffic forecasting model take account of historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in this report were based on generally accepted procedures and practices in the industry. All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing this report. 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 Changyi Expressway. Discrepancies for certain individual year(s) may still be possible. Despite significant efforts used by the Consultant to maintain technical excellence in the exercise, the Consultant bears no responsibility or liability for any inaccurate forecasting results.

Yours faithfully,
Derek Leung
BEng, MSc, MFin, MHKIE, MCILT
Project Director
For and on behalf of
WB Group Consulting (Shenzhen) 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, South Korea and the PRC.

Set out below are the texts of the report received from WB Group Consulting (Shenzhen) Limited, an independent traffic consultant, in connection with traffic study on Longcheng Expressway for inclusion in this prospectus.



WB Group Consulting (Shenzhen) Limited,
Room 1703, Shenhua Commercial Building,
2018 Jiabin Rd, Luohu District,
Shenzhen, P.R. China

27 June 2017

The Directors
RKE International Holdings Limited
Room 501, 5/F., Block 6,
The Gateway, 9, Canton Road, Tsim Sha Tsui,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

Longcheng Expressway in Shanxi Province

Traffic and Revenue Forecasting Study—Executive Summary

WB Group Consulting (Shenzhen) Limited (the “Consultant”) was appointed by RKE International Holdings Limited to carry out an independent traffic and revenue forecasts for Longcheng Expressway in Shanxi Province (“the Project Road”).

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

Figure 1-1 Location of Longcheng Expressway



1 Introduction

Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi County Expressway (“**Longcheng Expressway**”) is a key component of Beijing-Kunming Expressway, one of the seven radial expressways from the capital. It originates from Yuci Longbai Village located in the east of Taiyuan City (which connects with Taiyuan-Jiuguan Expressway), and ends at Chengzhao in Qi County (which connects with Datong-Yuncheng Expressway). It is a critical

component of the national expressway system connecting Beijing to the south-western regions in China. It is the south-eastern section of the outer-ring road in the city centres of Taiyuan and Jinzhong, carrying the eastbound freight transportation traffic from the southern Shanxi Province and Shaanxi Province to the Bohai Rim region. The location of the Longcheng Expressway was shown on Figure 1-1.

The Route

The Longcheng Expressway has a total length of 71.58 km. Longcheng Expressway originates from Yuci Longbai Village located in the east of Taiyuan City and ends at Chengzhao in Qi County. It runs through Yuci District, Taigu County and Qi County. Longcheng Expressway is not only a critical component of the national expressway system, it also serves as a part of the southern section of the outer-ring road of the city centres of Taiyuan and Jinzhong.

Longcheng Expressway is a closed system expressway¹ with three toll plazas and three interchanges which are fully functional. Its dual 6 lane carriageways have a design speed of 100 km per hour. The maximum speed limit is 120 km per hour (Longcheng Expressway Ltd has negotiated with the local traffic police to enforce at the speed limit of 120 km/hr.).

Longcheng Expressway has been collecting tolls since its operation in 2012 and is fully operational.

Destinations and Major Connections

- *Taiyuan City* : Located in the north-eastern part of Shanxi Province, Taiyuan City is the capital of the province as well as its political, economic, cultural and communication centre. It is also known for steel (especially stainless steel) production.
- *Jinzhong City*: Located in central area of Shanxi Province, Jinzhong City is both a railway and a highway hub, which also facilitates the development of tourism. As an industrial town, the machinery, coal, metallurgy and chemical industries are the growth driver of the city.
- *Yuci, Taigu County and Qi County*: Similar to Jinzhong City, these areas also have strong industrial foundation with a major malleable cast iron production base in Taigu County and provincial-level economic development zone in Qi County. Longcheng Expressway is benefited from the economic development from the region.
- *Taiyuan-Jiuguan Expressway and Datong-Yuncheng Expressway*: The connection with these two expressways enable Longcheng Expressway to absorb the traffic flow in the southern region of Taiyuan and Jinzhong.

Existing Competing Roads/Rails

Longcheng Expressway faces the following existing competition:

- *Certain sections of the outer-ring road of Jinzhong City*: Certain sections of the outer-ring road of Jinzhong run parallel to Longcheng Expressway and have

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

diverted the traffic flow of Longcheng Expressway. This is partially offset by the effect of Jinzhong Municipal Government's restriction on medium to heavy trucks from using the eastern, western and southern sections of the outer-ring road, which in turn diverted medium to heavy trucks to Longcheng Expressway.

Interchanges

Longcheng Expressway currently has three interchanges which connect Longcheng Expressway to the major connecting roads including Taiyuan-Jiuguan Expressway, Datong-Yuncheng Expressway and Taiyuan-Changzhi Expressway, forming the shortest expressway route linking Shijiazhuang and various cities in Shanxi, such as Linfen and Yuncheng, as well as Xi'an, the capital of Shaanxi.

2 Study Approach

The study approach and work steps are summarised below:

Step 1 : Mobilisation and Data Collection—The Consultant will collect relevant traffic/revenue information of Longcheng Expressway. The data collection efforts also included the economic growth patterns, transport development plans, and forecasts of future development projects in the Shanxi Province and the other areas in the vicinity of Longcheng Expressway.

Step 2 : Existing Year Traffic Conditions—Based on the traffic and revenue information collected by the Consultant, the current economic and development activities along the Longcheng Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Longcheng Expressway in order to determine the 2017 annual average daily traffic, value of time and operation costs on Longcheng Expressway

Step 3 : Road Network Development in Traffic Forecasting Model—This task included the development of a computer simulation model to replicate the existing traffic conditions along Longcheng Expressway. The computer model simulation software EMME/3 was used to develop the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programmes for the period referred to in Section 4—6. "Road Network" below from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

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

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

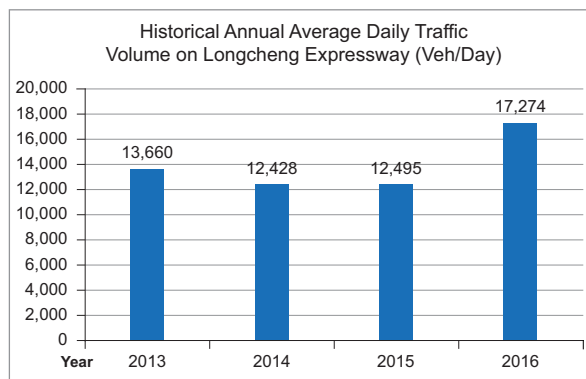
Step 6 : Traffic and Revenue Forecast—The traffic forecasting model was fine-tuned after the completion of the road network development, community/economic growth assumptions and the toll charging strategies. The Consultant then carried out detailed traffic and revenue forecasting works using the finalised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

3 Traffic and Revenue Data Collection and Analysis

3.1 Historical Traffic and Revenue Data

Longcheng Expressway has been open for 4 years since 2012. The Consultant considers that Longcheng Expressway is in a ramp up stage by the time of the report. The Consultant has summarised the historical annual average daily traffic volume for the years 2013-2016 in Figure 3-1. The Consultant obtained the 2013 – 2016 revenue information from Jinzhong Longcheng Expressway Co., Ltd. and the historical annual revenue on Longcheng Expressway are summarised in Figure 3-2.

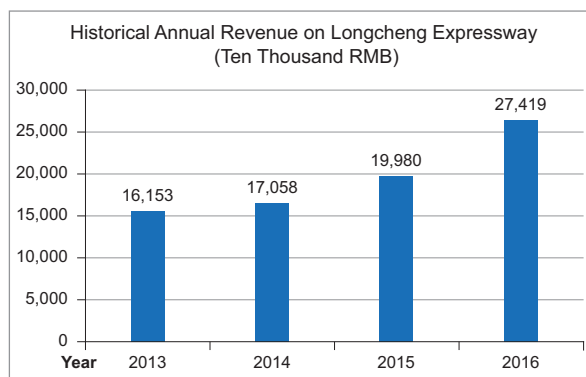
Figure 3-1 Historical Annual Average Daily Traffic Volume for Longcheng Expressway (Veh/Day)



Source : Jinzhong Longcheng Expressway Co., Ltd., 2017

Note: The average daily traffic volume refers to the total traffic using the road per day during the relevant year, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations.

Figure 3-2 Historical Annual Revenue for Longcheng Expressway (Ten Thousand RMB)



Source: Jinzhong Longcheng Expressway Co, Ltd, 2017

3.2 Station-to-Station Traffic and Revenue Data

The Consultant obtained from the Shanxi Province Expressway Revenue Records the Station-to-Station traffic data on both 3rd – 9th July 2015 and 3th – 9th July 2016. These information included all main related traffic information on revenue system of Shanxi Province Expressway including in-out time and locations, vehicle types, toll charge categories, toll revenue and gross weight (trucks). This would also enable the Consultant to understand the composition of vehicle stream, the origin and destination of the traffic, variation in traffic volume during the week and distance travelled on Longcheng Expressway.

The advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station revenue records were:

- The results were record by electronic devices without the process of on-site investigations and surveys, it could eliminate the disturbance to the traffic;
- The results were directly issued by the “Clearing Centre of the Tolling System of the Shanxi Province Expressway Network” without mistakes possibly made through manual data entry and coding processes. This will enhance the accuracy of the base traffic data used in subsequent analyses;
- The information represented 100% of the 24-hour revenue records on the expressway system. The discrepancies and problems likely to be incurred by the survey sampling method could be avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic level, travel directions and the traffic composition on Longcheng Expressway, the Consultant undertook the following 24-hour traffic surveys on 6th July 2016 (normal weekday and fine weather): Origin-Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow traffic counts surveys.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. The Consultant carried out a total of 4539 O-D survey samples at the 3 toll stations for an overall sampling rate of 28.2% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types of very low traffic volumes, the overall sampling representation for all vehicle types was satisfactory. The Consultant also collected the traffic flow and classification data of the Shanxi Province Road Network on the survey days to validate the survey results.

Classified Traffic Count Surveys

Classified traffic count surveys comprised in-out classified traffic count survey at toll stations and classified section-flow traffic count surveys on Longcheng Expressway. The results of the traffic count surveys were used to calibrate the base year traffic forecasting results and are summarised in Table 3-1.

Table 3-1 Traffic Survey Results (Vehicles)

Station	Direction	PV1	PV2	PV3	PV4	GV1	GV2	GV3	GV4	GV5
Jinzhong East	In	1940	61	13	6	198	12	93	6	1714
	Out	2149	48	10	10	197	16	73	3	1936
Taigu	In	1131	10	3	7	174	18	10	0	135
	Out	1112	13	5	6	145	14	9	2	133
Qiaojia Dayuan Resorts	In	1154	31	22	7	423	93	60	7	574
	Out	1055	29	5	8	304	65	51	4	809
Beitian Town	Jinzhong to Qi County	2938	12	20	15	432	156	84	8	1690
	Qi County to Jinzhong	2189	47	15	7	382	93	108	28	1930
Taigu Service Area	Jinzhong to Qi County	3141	15	23	20	485	215	156	114	998
	Qi County to Jinzhong	3429	56	27	31	618	199	169	97	1031

Source: Consultant, 2016

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (more than 39 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tonnes), Class 2 Truck (2-5 (inclusive) tonnes), Class 3 Truck (5-10 (inclusive) tonnes), Class 4 Truck (10-15 (inclusive) tonnes and 20 feet container) and Class 5 Truck (More than 15 tonnes and 40 feet container) respectively.

4 Basic Approach and Key Assumptions

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

1. *Forecasting Period:* Year 2017 to 18th July 2042
2. *Socio-Economic Model:* The purpose of this model was to derive the relationship developed between historical socio-economic (mainly GDP) and traffic demand to forecast future traffic generation. Major components include:

Model Input:

- Historical socio-economic data (refer to sub-section 4 below)
- Historical traffic data (refer to Section 3 above)
- Future socio-economic assumptions (refer to sub-section 4 below)

Model Output:

- Future traffic growth

3. *Traffic Forecasting Model:* Professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant developed 583 traffic analysis zones (Traffic Analysis Zone, TAZ) within the province to do the analysis. The purpose of the traffic forecasting model was 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. Major components include:

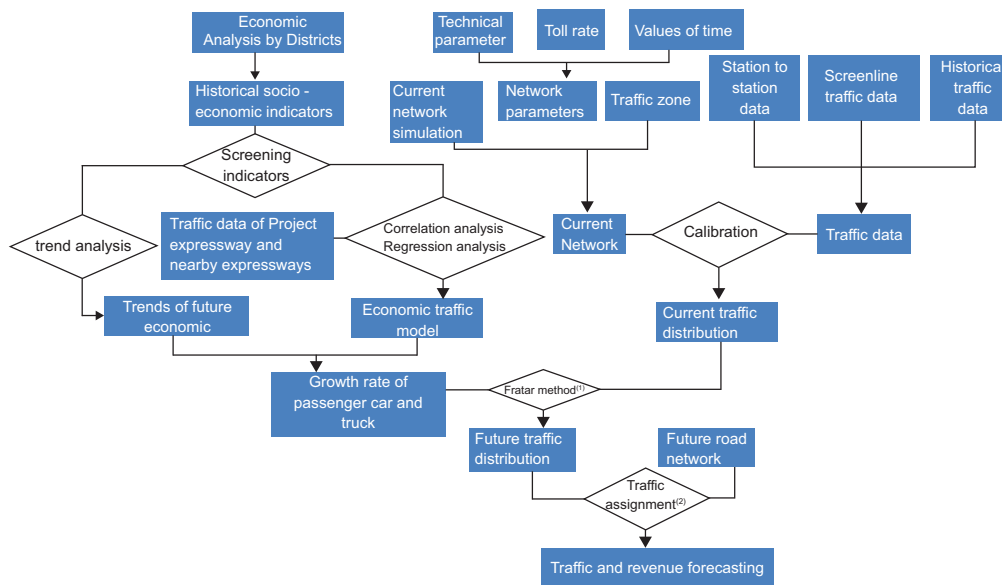
Model Input:

- Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
- Base year model calibration (refer to sub-section 5 below)
- Future traffic growth (refer to sub-section 2 above)
- Road network (refer to sub-section 6 below)
- Passenger car unit conversion (refer to sub-section 7 below);
- Toll rate (refer to sub-section 8 below)
- Volume delay functions and capacity (refer to sub-section 9 below)
- Traffic assignment (refer to sub-section 10 below)

Model Output:

- Future year traffic volume and revenue

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant, 2016

Notes:

- (1) represents a mathematical approach to balance the trip matrices in the future years
- (2) means the selection of paths between the points of origin and the points of destination in the transportation network

4. *Socio-economic Factors:*

In order to investigate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters were closely studied. The selected economic parameters including the GDP, population, car ownership and income per capita were then subjected to correlation and regression analyses. It was found that traffic growth was mainly correlated to GDP growth.

Historical GDP real growth is summarized in Table 4-1. The short-term real GDP growth patterns in 2017-2020 for economic zones in the project expressway's province as well as the adjacent provinces with significant origin-destination trips (from station- to-station data) were estimated by making reference to the historical average growth and the economic growth target of the 13th—Five years plans (2016-2020) of China, and certain provinces and municipalities.

The targeted real GDP growths by 2020 of China, Shanxi Province, Shaanxi Province, Henan Province and Inner Mongolia by 2020 are 6.5%, 6.5%, 8.0%, 8.0% and 7.5% respectively.

For the longer-term, growth rate assumptions for China subsequent to the periods covered by the 13th Five-year plans (2016-2020), the consultant has assumed that the growth is expected to trend down as economies becomes increasingly mature and with a larger economic base. This is consistent with global experience. The China GDP growths for years 2021-2025, 2026-2030, 2031-2035, 2036-2040 and 2041-2045 are estimated based on the estimated growth trend in 2017-2020. It is expected that the extent of growth will experience a decrease of 1.0-2.0% in every five-year increment until 2040 and 0.5-1.0% after 2040, with reference to some other source of global economic projection such as Organisation for Economic Co-operation and Development. The assumed growth patterns for different individual provinces were based on local economic growth trends and development. Future GDP assumptions are summarised in Table 4-2.

Table 4-1 Historical GDP Growth

	2011	2012	2013	2014	2015	2011-2015 Average Growth
Shanxi Province	12.9%	10.1%	8.9%	4.9%	3.1%	8.0%
Shaanxi Province	13.9%	12.9%	11.0%	9.7%	7.9%	11.1%
Henan Province	11.6%	10.1%	9.0%	8.9%	8.3%	9.6%
Inner Mongolia	14.3%	11.7%	9.0%	7.8%	7.7%	10.1%
China	9.5%	7.9%	7.8%	7.3%	6.9%	7.9%

Source: Data available up to 2015 for Statistical Yearbooks of China, Shanxi Province, Shaanxi Province, Henan Province and Inner Mongolia (2012-2016). The annual GDP growth rate between 2011 and 2015 are calculated at constant prices.

Table 4-2 Future GDP Growth Assumption

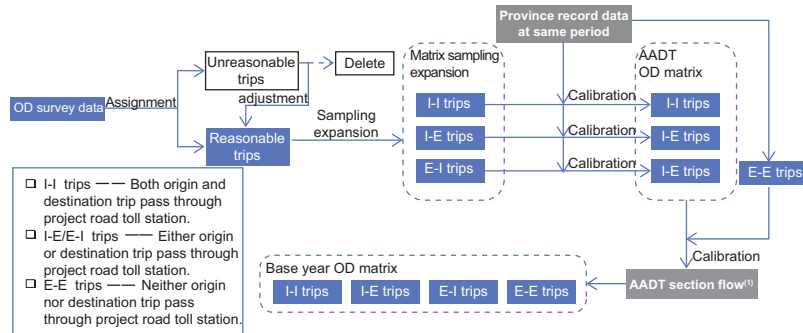
	2011-2015 Average Growth	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045
Shanxi Province	8.0%	6.5%	5.0%	4.0%	3.0%	2.0%	1.5%
Shaanxi Province	11.1%	8.0%	6.5%	5.0%	3.5%	2.5%	2.0%
Henan Province	9.6%	8.0%	6.0%	4.5%	3.0%	2.0%	1.5%
Inner Mongolia	10.1%	7.5%	5.5%	4.0%	3.0%	2.0%	1.5%
China	7.9%	6.5%	5.0%	4.0%	3.0%	2.0%	1.5%

Source: 13th Five Year Plan of China, China, Shanxi Province, Shaanxi Province, Henan Province and Inner Mongolia, Organisation for Economic Co-operation and Development (OECD), Consultant's assumption for 2021-2045.

5. *Traffic Model Calibration:*

The Consultant has calibrated the traffic model against existing traffic conditions. The procedure is summarised in the following figure. According to the calibrated results, the forecasted volumes were compatible to the observed volumes (most discrepancies were $\pm 10\%$). The Consultant concluded that the calibrated model could adequately replicate travel paths on the freeway system and could be used to perform future traffic/revenue forecasting on Longcheng Expressway.

Figure 4-2 Model Calibration Procedure



Source: Consultant, 2016

Note:

(1) "AADT" means annual average daily traffic

Table 4-3 Traffic Model Calibration Results (Vehicles/Peak Hour)

Calibration Location	Direction	Observed	Modelled	Difference
Jinzhong East—Dongyang Interchange	Jinzhong—Qi County	389	399	2.53%
	Qi County—Jinzhong	364	352	-3.28%
Taigu—Qiaojia Dayuan	Jinzhong—Qi County	338	347	2.55%
	Qi County—Jinzhong	388	374	-3.59%
Jinzhong East	In	255	256	0.40%
	Out	291	287	-1.53%
Taigu	In	92	93	1.32%
	Out	89	89	-0.07%
Qiaojia Dayuan Resorts	In	147	149	1.42%
	Out	151	151	0.04%

Source: Consultant, 2016

6. *Road Network:*

In the base year road network development process, the Consultant made use of the existing Shanxi Province Expressway Network map and the official Shanxi Expressway Network Plan (developed by the Expressway Management Bureau) as the starting point 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.

For future years, in order to adequately assess the impacts of future highway work changes in Shanxi Province on traffic demands (traffic attraction or diversion) on the project expressway, the Consultant collected the Shanxi Province highway construction programs as

stipulated in Shanxi's 13th Five-year Plan in which future highway infrastructure projects for the years 2017 to 2022 are identified. All these new highways were coded into EMME/3 in order to evaluate the impact of the new highway(s) on Longcheng Expressway. There is no official source available for planned highway infrastructure projects after 2022.

Based on the traffic assignment model results, significant impacts on Longcheng Expressway were predicted to happen in 2019 and 2020. Due to the opening of Qi County-Lishi Expressway in 2019, part of the Xingtai-Fenyang Expressway traffic would be attracted onto Longcheng Expressway. Due to the opening of Yuci—Xiyang Expressway in 2020, part of Taiyuan-Yanguan Expressway and Xingtai-Fenyang Expressway traffic would be attracted onto Longcheng Expressway. The traffic impacts on the project road due to the opening of the above-mentioned roads are summarised in the following table.

Table 4-4 New Expressways with Traffic Impact

Name	Opening Year	Traffic Diversion / Attraction Impact on the project road
Qi County—Lishi Expressway	2019	Traffic Attraction Impact
Taiyuan West Second Ring Expressway (Xizhuang—Xiejiaoying)	2020	Traffic Attraction Impact
Taiyuan East Second Ring Expressway (Fanzhuang—Longbai)	2020	Traffic Attraction Impact
Yuci Dongyang—Xiyang Longpo Expressway	2020	Traffic Attraction Impact
Taiyuan North Second Ring Expressway (Shangendi—Fanzhuang)	2020	Traffic Attraction Impact

Source: Consultant, 2017

Note: New Expressways which are not shown on the list above have been tested in the traffic model and the traffic impacts are insignificant (due to different alignment serving different travel demand corridors or being too far away from Longcheng Expressway)

7. *Passenger Car Unit (PCU)*: Traffic is generally heterogeneous consisting of a variety of vehicles comprising a wide range of static and dynamic characteristics. All types of vehicles were converted into equivalent "passenger car units (PCU)" before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables (such as headway, speed, density) compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-5 Passenger Car Units

Vehicle Type	No.	Name	Conversion Factor
Passenger Car	1	Class 1	1.0
	2	Class 2	1.5
	3	Class 3	2.0
	4	Class 4	2.5
	5	Class 1	1.5
Truck	6	Class 2	2.0
	7	Class 3	2.5
	8	Class 4	2.5
	9	Class 5	3.0

Source: Consultant, 2016

8. *Toll Rates:* According to the new expressway toll collection guidelines published by the Shanxi Government on 3rd December 2013. The basic toll and weight-base toll (for trucks only) charging systems were established as shown in Table 4-6 and Table 4-7 respectively (Longcheng Expressway falls into Class B). In its study, the Consultant has assumed that the existing toll rate will continue until the end of the concession period on the project expressway in the base case.

Table 4-6 Shanxi Province Expressways Basic Toll Charges (RMB/Veh.km)

Class Type	Passenger Car	Trucks	Road Rate			Tunnel Rate
			Class A	Class B	Class D	
1	≤ 7 Seats	≤ 2 tonnes	0.39	0.36	0.3	1.0
2	8 – 19 Seats	> 2 and ≤ 5 tonnes	0.63	0.54	0.4	1.4
3	20 – 39 Seats	> 5 and ≤ 10 tonnes	1.03	0.87	0.63	2.1
4	≥40 seats	> 10 and ≤ 15 tonnes, 20 feet container	1.545	1.41	1.15	3.8
5		> 15 tonnes, 40 feet container	1.86	1.86	1.67	5.7

Source: Jinzhong Longcheng Expressway Co., Ltd., 2016

Note: To account for interval charges, the toll charge (including bridge and tunnel surcharge) will be rounded to the nearest 5 RMB. The rounding method is 2 or less will be deleted and 8 or more will be rounded up. The last digit will be rounded to 5 if falling between 3 and 7 (total of expressway and bridge/tunnel surcharge). The minimum charge is set at 5 RMB. Trucks normally will be charged according to the weight base toll. Under special circumstance trucks will be charged basic toll (e.g. the weight base tolling system is malfunction).

**Table 4-7 Shanxi Province Expressways Weight-base Toll Charges
(RMB/tonne-km)**

Regular Weight Standard Rates	0.09 RMB/tonne/km (starting from 4 tonnes, less than 4 tonnes is charged by the 4 tonnes standard toll rates)	Of 10 tonnes or less, charged by Standard Toll Rates Of 10 tonnes to 49 tonnes, charged based on a linear reduction formulae to 70% of Standard Toll Rates
	Over-weight by 30% or less	Charged based on a linear increment formulae from 1 to 2 times the Standard Toll Rates
Over- weight Standard Rates	Over-weight by 30 to 50% (including 50%)	Charged based on a linear increment formulae from 3 to 6 times the Standard Toll Rates
	Over-weight by 50-100% (including 100%)	Charged based on a linear increment formulae from 8 to 10 times the Standard Toll Rates
	Over-weight over 100%	Charged based on a linear increment to 16 times the Standard Toll Rates

Source: Jinzhong Longcheng Expressway Co., Ltd., 2016

Trucks carrying fresh and agricultural products in regular weight that are qualified to “Green Passage” policy will be free of charge. Over-weight trucks by 5% or more are excluded.

Based on the 24th July 2012 Notification on “Toll Free Options for Small Passenger Cars During Major National Festivities”, small passenger cars enjoy toll free travel on expressways during Spring Festival, Qing Ming Festival, Labor Festival and National Holiday Festival. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all Government approved expressways, including Longcheng Expressway.

Based on the Notification on “Enhancement of the “Green Passage” Policy for the transportation of fresh and agricultural products, with effect on 1st December 2010, all toll roads are included in the “Green Passage” network for the transportation of fresh and agricultural products. Trucks carrying fresh and agricultural products in regular weight that are qualified to the “Green Passage” policy will be free of charge. Over-weight trucks by 5% or more are excluded.

In order to assess the impact of these policies, the Consultant studied the implementation plan of the Notification on “Toll Free Policy during Major National Festivities”, namely Spring Festival, Qing Ming Festival, Labor Festival and National Festival, which covers a total of 20 days as well as the “Green Passage” Policy. The impact was accounted for in the traffic and revenue forecasting procedures and results. The Consultant also assumed that these toll free policies will last till the end of the concession period of Longcheng Expressway.

9. *Traffic Volume Delay Functions and Road Capacity:*

Base year capacity = 155,906 (PCU/day) or equivalent to 91,173 (veh/day). No future road expansion is assumed.

Travel time is usually derived directly from speed which in turn would be influenced by level of congestion on the road. Congestion level on the project expressway in the base year was calculated. To estimate future travel speeds on Longcheng Expressway under continuous traffic growth, a “capacity constrained” model was used.

The major factors that may affect the capacity of an expressway include design standards (design speed), vehicle type composition and hourly distribution of daily traffic demands (peak hour factor). The assumptions adopted for the planning and design of the project expressway included speed of 120 km/hr, level of service C ($0.55 \leq \text{Volume/Capacity Ratio} \leq 0.75$), section flow capacity of 1650 pcu/lane/hr (refer to Highway Engineering Technical Specifications—JTG B01-2014), and peak hour factor of 6.35% (obtained from traffic survey and station-station traffic data).

Based on the above parameters, the project road section-flow capacity in the base year is 155,906 (PCU/day), which is equivalent to 91,173 (veh/day) by using the average passenger car conversion factor of 1.71 pcu/veh (obtained from traffic survey and station-station traffic data). However, changes in the ratio of passenger cars to trucks using Longcheng Expressway in the future will affect the section flow capacity measured in number of vehicles on Longcheng Expressway and accordingly the time at which usage reaches full capacity. The future capacity of the Longcheng Expressway may therefore vary from the base year calculation.

10. *Traffic Assignment:*

This study adopted “generalised-cost” as the factor to influence the basis for decisions to select travel paths by the trip makers. This arrives at a balanced trip distribution on the road network within the study area. The “generalised 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 road users’ willingness to pay certain travel costs and travelling speed/congestion levels on the Longcheng Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs is allocated by the model to the path of the lowest generalised cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. For example: If there are 2 highways of the same class in an iteration, the highway which carries the lower volume would be selected as the travel path. However, in a subsequent iteration, these 2 highways may have different generalised costs which would then dictate which would be the more attractive path. 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 study approach and key assumptions described in Section 4, the base year for the analysis was set at 2016. Future traffic volumes and revenues are forecasted below for the years 2017-2022 (being the period up to which assessment of the impacts of future highway work changes has been made) and thereafter and for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its term

In addition to the base case, sensitivity tests were also carried out. The description of the sensitivity tests are summarised in Table 5-1.

Table 5-1 Description of Scenarios

Option	Major Impacts
(1) Base Case	Based on the key assumptions in Section 4.
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;
(4) Sensitivity Test 3	Based on the Base Case, the toll rates were increased by 5% every 5 years

Source: Consultant, 2016

5.1 Base Case Scenario

Based on the above considerations, the traffic flows and toll revenue forecasts of Longcheng Expressway for the period 2017-2022 and for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its current term are shown in Table 5-2 and Table 5-3 respectively.

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

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV%	GV%	Total	PV%	GV%	
2017	19,463	51.0%	49.0%	20,651	54.5%	45.5%	12.7%
2018	21,697	51.8%	48.2%	22,998	55.3%	44.7%	11.5%
2019 ⁽²⁾	24,956	51.0%	49.0%	26,287	54.7%	45.3%	15.0%
2020 ⁽³⁾	28,866	49.2%	50.8%	30,667	53.1%	46.9%	15.7%
2021	31,038	49.8%	50.2%	32,977	53.8%	46.2%	7.5%
2022	33,346	50.4%	49.6%	35,428	54.4%	45.6%	7.4%
2026	43,778	52.9%	47.1%	46,529	56.8%	43.2%	7.0%(1a)
2031	58,046	55.8%	44.2%	61,827	59.7%	40.3%	5.8%(1b)
2036	72,957	58.2%	41.8%	77,782	62.3%	37.7%	4.7%(1c)
2041	83,056	60.0%	40.0%	87,444	64.2%	35.8%	2.6%(1d)
2042	84,405	60.3%	39.7%	88,369	64.5%	35.5%	1.6%(1e)

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

- (1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of Qi County—Lishi Expressway (3) Opening of Yuci Dongyang—Xiyang Longpo Expressway, Taiyuan East Second Ring Expressway (Fanzhuang—Longbai), Taiyuan West Second Ring Expressway (Xizhuang—Xiejiaoying), Taiyuan North Second Ring Expressway (Shangendi—Fanzhuang).

Table 5-3 Annual Revenue Forecasts (Base Case) on Longcheng Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 835,251	¥ 304,866,521	11.5%	¥ 4,216,105
2018	¥ 921,782	¥ 336,450,568	10.4%	¥ 4,763,730
2019	¥1,068,453	¥ 389,985,318	15.9%	¥ 5,385,323
2020	¥1,281,890	¥ 469,171,826	20.0%	¥ 6,123,993
2021	¥1,368,276	¥ 499,420,643	6.7%	¥ 6,644,653
2022	¥1,459,470	¥ 532,706,688	6.7%	¥ 7,217,940
2026	¥1,863,599	¥ 680,213,672	6.3%(2a)	¥ 9,893,364
2031	¥2,395,504	¥ 874,358,824	5.1%(2b)	¥13,802,454
2036	¥2,927,301	¥1,071,392,069	4.1%(2c)	¥18,120,628
2041	¥3,219,734	¥1,175,203,047	1.9%(2d)	¥20,919,514
2042 ⁽⁴⁾	¥3,240,526	¥ 644,864,750	0.6%(2e)	¥13,814,697

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 18th July 2042.

5.2 Sensitivity Test 1

Tables 5-4 to 5-5 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% reductions in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-4 Average Daily Traffic (Sensitivity Test 1) on Longcheng Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	19,235	50.9%	49.1%	20,411	54.4%	45.6%	11.3%
2018	21,210	51.7%	48.3%	22,486	55.2%	44.8%	10.3%
2019 ⁽²⁾	24,067	51.0%	49.0%	25,369	54.6%	45.4%	13.5%
2020 ⁽³⁾	27,453	49.2%	50.8%	29,167	53.2%	46.8%	14.1%
2021	29,306	49.8%	50.2%	31,134	53.8%	46.2%	6.7%
2022	31,260	50.4%	49.6%	33,205	54.3%	45.7%	6.7%
2026	39,937	52.7%	47.3%	42,423	56.6%	43.4%	6.3%(1a)
2031	51,476	55.3%	44.7%	54,782	59.2%	40.8%	5.2%(1b)
2036	63,218	57.5%	42.5%	67,328	61.5%	38.5%	4.2%(1c)
2041	74,088	59.3%	40.7%	78,866	63.4%	36.6%	3.2%(1d)
2042	76,146	59.6%	40.4%	81,037	63.8%	36.2%	2.8%(1e)

Source: Consultant, 2017

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow: the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of Qi County—Lishi Expressway (3) Opening of Yuci Dongyang—Xiyang Longpo Expressway, Taiyuan East Second Ring Expressway (Fanzhuang—Longbai), Taiyuan West Second Ring Expressway (Xizhuang—Xiejiaoying), Taiyuan North Second Ring Expressway (Shangendi—Fanzhuang).

Table 5-5 Annual Revenue Forecasts (Sensitivity Test 1) on Longcheng Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 826,254	¥ 301,582,657	10.3%	¥ 4,161,040
2018	¥ 902,744	¥ 329,501,681	9.3%	¥ 4,645,234
2019	¥1,031,625	¥ 376,543,243	14.3%	¥ 5,188,427
2020	¥1,216,883	¥ 445,379,287	18.0%	¥ 5,828,456
2021	¥1,290,004	¥ 470,851,566	6.0%	¥ 6,271,885
2022	¥1,366,710	¥ 498,849,248	5.9%	¥ 6,757,896
2026	¥1,701,474	¥ 621,037,963	5.6%(2a)	¥ 8,980,874
2031	¥2,131,752	¥ 778,089,421	4.6%(2b)	¥12,128,843
2036	¥2,551,823	¥ 933,967,119	3.7%(2c)	¥15,507,694
2041	¥2,923,615	¥1,067,119,420	2.8%(2d)	¥18,659,566
2042 ⁽⁴⁾	¥2,991,958	¥ 595,399,546	2.3%(2e)	¥12,528,711

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2)Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 18th July 2042.

5.3 Sensitivity Test 2

Tables 5-6 to 5-7 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% increases in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Average Daily Traffic (Sensitivity Test 2) on Longcheng Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	19,691	51.1%	48.9%	20,892	54.6%	45.4%	14.0%
2018	22,186	52.0%	48.0%	23,513	55.5%	44.5%	12.7%
2019 ⁽²⁾	25,861	51.1%	48.9%	27,222	54.8%	45.2%	16.6%
2020 ⁽³⁾	30,325	49.1%	50.9%	32,217	53.1%	46.9%	17.3%
2021	32,824	49.8%	50.2%	34,872	53.8%	46.2%	8.2%
2022	35,499	50.5%	49.5%	37,709	54.5%	45.5%	8.1%
2026	47,816	53.2%	46.8%	50,803	57.2%	42.8%	7.7%(1a)
2031	65,170	56.3%	43.7%	69,400	60.4%	39.6%	6.4%(1b)
2036	80,787	58.8%	41.2%	85,334	63.0%	37.0%	4.4%(1c)
2041	87,847	60.7%	39.3%	90,818	65.0%	35.0%	1.7%(1d)
2042	88,211	61.1%	38.9%	91,328	65.4%	34.6%	0.4%(1e)

Source: Consultant, 2017

Note: (*) The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow: the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of Qi County—Lishi Expressway (3) Opening of Yuci Dongyang—Xiyang Longpo Expressway, Taiyuan East Second Ring Expressway (Fanzhuang—Longbai), Taiyuan West Second Ring Expressway (Xizhuang—Xiejiaoying), Taiyuan North Second Ring Expressway (Shangendi—Fanzhuang).

Table 5-7 Annual Revenue Forecasts (Sensitivity Test 2) on Longcheng Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 844,250	¥ 308,151,070	12.7%	¥ 4,271,181
2018	¥ 940,805	¥ 343,393,784	11.4%	¥ 4,883,439
2019	¥1,105,867	¥ 403,641,634	17.5%	¥ 5,586,819
2020	¥1,349,051	¥ 493,752,494	22.0%	¥ 6,430,230
2021	¥1,448,099	¥ 528,556,131	7.3%	¥ 7,032,106
2022	¥1,553,388	¥ 566,986,765	7.3%	¥ 7,698,222
2026	¥2,028,335	¥ 740,342,124	6.9%(2a)	¥10,869,658
2031	¥2,671,338	¥ 975,038,282	5.7%(2b)	¥15,654,200
2036	¥3,188,435	¥1,166,967,117	3.6%(2c)	¥20,100,319
2041	¥3,313,555	¥1,209,447,601	0.8%(2d)	¥22,005,288
2042 ⁽⁴⁾	¥3,316,290	¥ 659,941,648	0.1%(2e)	¥14,469,869

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the

comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends at 18th July 2042.

5.4 Sensitivity Test 3

Since toll variations would be introduced on a province wide basis, there will be minimal diversions among freeways in the road network. As a result, it has been assumed that future traffic volumes will remain the same as the Base Case. Based on assumptions shown in Table 5-1, the forecasted traffic volumes at section flows, toll charges for various vehicle types for Base year and an annual toll hike of 5% in every 5 years following the base year for the analysis of 2016 (i.e. 2021, 2026, 2031, 2036 and 2041), the future revenues for the “Toll Rate Adjustment” scenario were summarised in Tables 5-8. The revenue losses caused by toll free vehicles during major festivities were categorised separately for reference.

Table 5-8 Annual Revenue Forecasts (Sensitivity Test 3) on Longcheng Expressway

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 835,251	¥ 304,866,521	11.5%	¥ 4,216,105
2018	¥ 921,782	¥ 336,450,568	10.4%	¥ 4,763,730
2019	¥1,068,453	¥ 389,985,318	15.9%	¥ 5,385,323
2020	¥1,281,890	¥ 469,171,826	20.0%	¥ 6,123,993
2021 ⁽⁴⁾	¥1,436,690	¥ 524,391,676	12.1%	¥ 6,976,885
2022	¥1,532,444	¥ 559,342,022	6.7%	¥ 7,578,837
2026 ⁽⁴⁾	¥2,054,618	¥ 749,935,573	7.6%(2a)	¥10,907,434
2031 ⁽⁴⁾	¥2,773,095	¥1,012,179,634	6.2%(2b)	¥15,978,066
2036 ⁽⁴⁾	¥3,558,152	¥1,302,283,756	5.1%(2c)	¥22,025,737
2041 ⁽⁴⁾	¥4,109,288	¥1,499,889,981	2.9%(2d)	¥26,699,189
2042 ⁽⁵⁾	¥4,135,824	¥ 823,028,991	0.6%(2e)	¥17,631,443

Source: Consultant, 2017

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Toll increase of 5%. (5) Forecast period ends at 18th July 2042.

6 Conclusion

Longcheng Expressway was the first expressway totally built with government funding in Shanxi Province. It is the first example of such infrastructure investment and management by the Jinzhong City. It is an important part of the ninth ring of expressway network in Shanxi Province. It connects with Taiyuan-Yanguan Expressway to the east, Datong-Yuncheng Expressway to the southwest and intersecting with Taiyuan-Changzhi Expressway at the central region. These connections will facilitate full interchanges among the above expressways.

This study carried out future traffic volume and revenue forecasting for periods from 2017 to 18th July, 2042. The major results of the Study are summarised as follows:

- 1) From 2017 to 18th July 2042, the forecasted annual average daily traffic on Longcheng Expressway would increase from a 19,463 vehicles/day to 84,405 vehicles/day during the respective periods, representing a growth of 333.3%;
- 2) The forecasted annual revenue on Longcheng Expressway would increase from 0.30 billion RMB/year in 2017 to 1.18 billion RMB/year in 2041. From 2017 to 18th July 2042, Longcheng Expressway traffic would generate a total revenue of 20.37 billion RMB.

The information contained in this reports has been obtained through the Consultant's primary research, (i.e. traffic-related surveys at the toll stations) as well as secondary research. (i.e. information obtained from the project company, and third parties such as government or official sources.)

The study approach of this report includes information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Assumptions in the economic model and traffic forecasting model take account of historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in this report are based on generally accepted procedures and practises in the industry. All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing this Report. 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 cannot be predicted at this juncture. In addition, the results of this Study only reflect the general traffic and revenue variations over the entire commissioned period of Longcheng Expressway. Discrepancies for certain individual year(s) may still be possible. Despite significant efforts used by the Consultant to maintain technical excellence in the exercise, the Consultant accepts no responsibility or liability for any inaccurate forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, MHKIE, MCILT

Project Director

For and on behalf of

WB Group Consulting (Shenzhen) 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, South Korea and the PRC.

Set out below are the texts of the report received from WB Group Consulting (Shenzhen) Limited, an independent traffic consultant, in connection with traffic study on Machao Expressway for inclusion in this prospectus.



WB Group Consulting (Shenzhen) Limited,
Room 1703, Shenhua Commercial Building,
2018 Jiabin Rd, Luohu District, Shenzhen,
P.R. China

27 June 2017

The Directors
RKE International Holdings Limited
Room 501, 5/F., Block 6,
The Gateway, 9, Canton Road, Tsim Sha Tsui,
Hong Kong Special Administrative Region,
P. R. China

Dear Sirs,

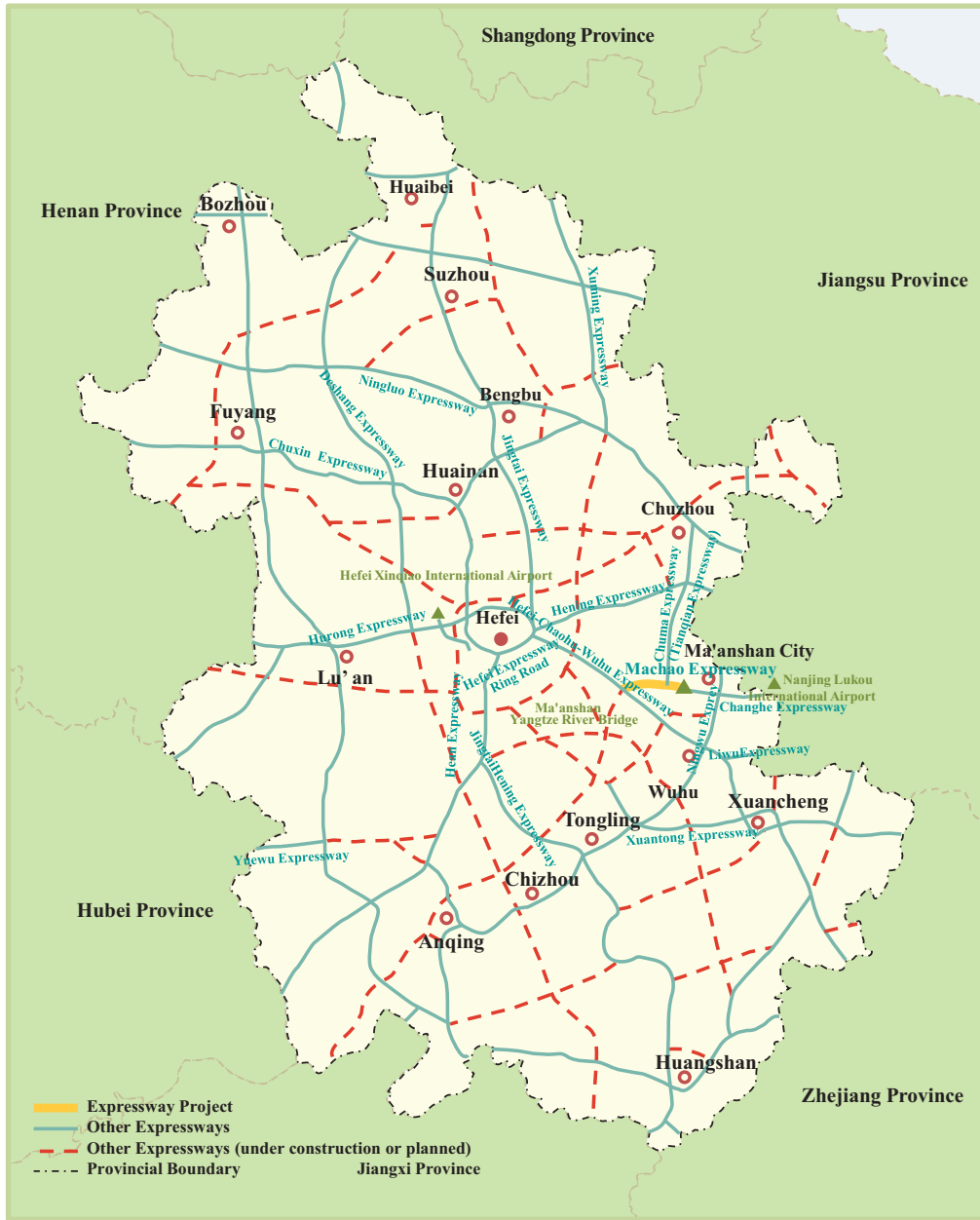
Machao Expressway in Anhui Province

Traffic and Revenue Forecasting Study—Executive Summary

WB Group Consulting (Shenzhen) Limited (the “Consultant”) was appointed by RKE International Holdings Limited to carry out an independent traffic and revenue forecasts for Machao Expressway in Anhui Province (“the Project Road”).

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

Figure 1-1 Location of Machao Expressway



1 Introduction

Provincial Expressway S24 Ma'Anshan-Chaohu ("Machao Expressway") connects Ma'anshan City with Nanjing Lukou International Airport and provides the shortest route from Hefei to the developed coastal cities such as Changzhou, Wuxi, Suzhou and Shanghai in the Yangtze River Delta. The location of the Machao Expressway was shown on Figure 1-1.

The Route

The Machao Expressway has a total length of 35.77 km. It originates from He County and connects to Ma'anshan Yangtze River Bridge to the east. It intersects with Chuma Expressway at the Lao Bridge Interchange. Machao Expressway ends at Hanshan County and connects with the Hefei-Chaohu-Wuhu Expressway.

Machao Expressway is a closed system expressway¹ with one toll plaza and two interchanges which are all fully operational. Its dual 6 lane carriageways have a design speed of 100 to 120 km per hour. The maximum speed limit is 120 km per hour. It has one service station in Qingxi, and the management of the service station is leased to a third party.

Machao Expressway has been collecting tolls since its operation at the end of 2013 and is fully operational.

Destinations and Major Connections

- *Ma'anshan City:* Ma'anshan City is one of the major gateways to Anhui Province as it stretches across the Yangtze River, and borders Nanjing and the Yangtze River Delta region to the east. It contains two national-level development zones and seven provincial-level development zones. The city is one of the largest steel production bases in the PRC and has one of the largest ports along the Yangtze River.
- *Hefei City:* Hefei City is the capital and the largest city of Anhui Province. Geographically, it is also located in central Anhui. It is the first national-level pilot city for technological innovations and an attractive tourist location.
- *Hefei-Chaohu-Wuhu Expressway:* This expressway is one of the two vertical routes that run through Anhui Province and a connecting line to the Shanghai-Chongqing Highway, forming an important section of the national highway network. The Hefei-Chaohu-Wuhu Expressway is directly connected to Machao Expressway.

Existing Competing Roads

- *Hening Expressway and Wuning Expressway:* Hening Expressway connects Anhui and western Jiangsu with the Yangtze River Delta, including Shanghai. Wuning Expressway connects Wuhu and Nanjing. The two expressways are direct competitors to Machao Expressway as they run parallel to it.

Interchanges

Machao Expressway currently has two interchanges which connect Machao Expressway to S22 Tianqian Expressway and G4211 Ningwu Expressway linking the Hefei to the highly populous cities in the Yangtze River Delta including Nanjing, Changzhou, Wuxi, Suzhou and Shanghai.

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

2 Study Approach

The study approach and work steps are summarised below:

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

Step 2 : Existing Year Traffic Conditions—Based on the traffic and revenue information collected, the current economic and development activities along the Machao Expressway corridor were summarised. The Consultant also analysed the yearly traffic flow pattern of Machao Expressway to determine the 2017 annual average daily traffic, value of time and operation costs of Machao Expressway.

Step 3 : Road Network Development in Traffic Forecasting Model—This task included the development of a computer simulation model to replicate the existing traffic conditions along Machao Expressway. The computer model simulation software EMME/3 was used to develop the road network and to calibrate the simulation model. The Consultant retrieved highway infrastructure planning and implementation programmes for the period referred to in Section 4-6 “Road Network” below from relevant Government agencies to examine the impacts of future road network variations within the influenced area on the traffic forecasting results.

Step 4 : Socio-economic Analysis—In order to understand and to predict existing and future community and economic development trends in the Anhui Province as well as the Project vicinity cities, the Consultant carried out detailed analyses on the latest community/economic information released by 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 formulated the basis for development of a computer traffic forecasting model. The remaining works were to establish and to calibrate conventional trip distribution and trip assignment models in order to replicate existing traffic volumes and conditions. For future forecasting, the traffic demand estimations were adjusted based on the findings in Step 3.

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

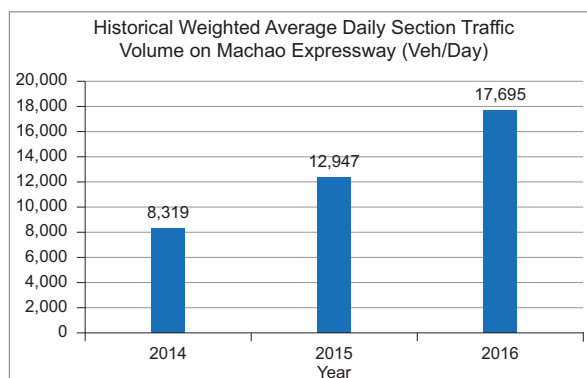
3 Traffic and Revenue Data Collection and Analysis

3.1 Historical Traffic and Revenue Data

Machao Expressway has been open for 3 years since 2013. The Consultant considers that Machao Expressway is in a ramp up stage by the time of the report. The Consultant summarised the annual weighted average daily section traffic volume for the years 2014-2016

in Figure 3-1. The Consultant obtained the 2014–2016 revenue information from Anhui Machao Expressway Co., Ltd., and the historical annual revenue on Machao Expressway are summarised in Figure 3-2.

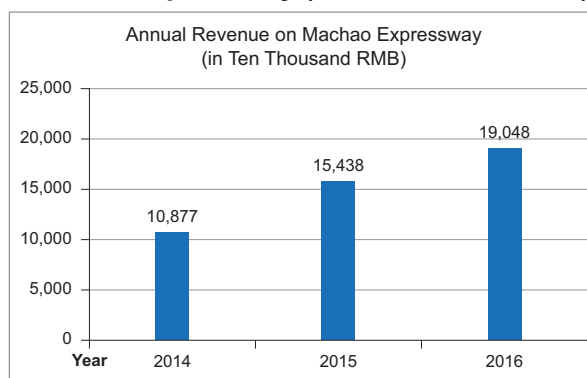
Figure 3-1 Historical Weighted Average Daily Section Traffic Volume¹ for Machao Expressway (Veh/Day)



Source : Anhui Machao Expressway Co., Ltd., 2017

Note : 1 Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage. The 2014 traffic volume represents the full year traffic for Machao Expressway in 2014. The acquisition of its interest in Machao Expressway JV by the Company was completed in June 2014.

Figure 3-2 Historical Annual Revenue for Machao Expressway (Ten Thousand RMB)



Source: Anhui Machao Expressway Co., Ltd., 2017

Note: The 2014 revenue number represents the full year revenue for Machao Expressway in 2014 which corresponds to the traffic volume in the same period. The acquisition of its interest in Machao Expressway JV by the Company was completed in June 2014.

3.2 Station-to-Station Traffic and Revenue Data

The Consultant obtained from the Anhui Province Expressway Revenue Records the Station-to-Station traffic data for 15th–21st September 2014 and the origin and destination trips data in the vicinity of the road network for 10th–16th July 2016. These information included all main related traffic information on revenue system of Anhui Province Expressway including in- out time and locations, vehicle types, toll charge categories, toll revenue and gross weight (trucks). This enabled the Consultant to understand the composition of the vehicle stream, the origin and destination of the traffic, variation in traffic volume during the week and distance travelled on Machao Expressway.

The advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station revenue records were:

- The results were recorded by electronic devices without the process of on-site investigations and surveys, it could eliminate the disturbance to the traffic;
- The results were directly issued by the “Clearing Centre of the Tolling System of the Anhui Province Expressway Network” without mistakes possibly made through manual data entry and coding processes. This enhanced the accuracy of the base traffic data used in subsequent analyses;
- The information represented 100% of the 24-hour revenue records on the expressway system. The discrepancies and problems likely to be incurred by the survey sampling method were thereby avoided.

3.3 Supplementary Surveys

In order to have a better understanding of the existing traffic level, travel directions and the traffic composition on Machao Expressway, the Consultant undertook the following 24-hour traffic surveys on 13th July 2016: Origin-Destination Survey (O-D Survey), in-out classified traffic count surveys at toll stations and classified section flow of traffic count surveys.

O-D Survey

The O-D surveys at the toll stations were carried out with a sampling approach. The Consultant carried out a total of 1,075 O-D survey samples at the Han Shan Nan toll station. An overall sampling rate of 38% of the total number of vehicles within the 24-hour survey period was achieved. Other than some vehicle types of very low traffic volume, the overall sampling representation for all vehicle types was satisfactory. The Consultant also collected the traffic flow and classification data of the Anhui Province Road Network on the survey days to validate the survey results.

Classified Traffic Count Surveys

Classified traffic count surveys comprised classified traffic count survey at toll stations and the classified section flow traffic count surveys on the Machao Expressway. The results of the traffic count surveys were used to calibrate the base year traffic forecasting results and are summarised in Table 3-1.

Table 3-1 Classified Traffic Count Survey Results(Vehicles)

<u>Survey Location</u>	<u>Direction</u>	<u>PV1</u>	<u>PV2</u>	<u>PV3</u>	<u>PV4</u>	<u>GV1</u>	<u>GV2</u>	<u>GV3</u>	<u>GV4</u>	<u>GV5</u>	<u>Total</u>
Han Shan Nan Toll Station	In	997	12	23	25	88	83	46	43	110	1,427
	Out	942	8	27	25	73	91	53	60	123	1,402
Qingxi Service Area	Chaohu—Ma'anshan	3260	101	89	372	210	311	382	313	1,000	6,038
	Ma'anshan—Chaohu	2947	119	61	281	147	302	347	267	838	5,309

Source: Consultant, 2016.

Note: PV: Passenger Car, GV: Truck

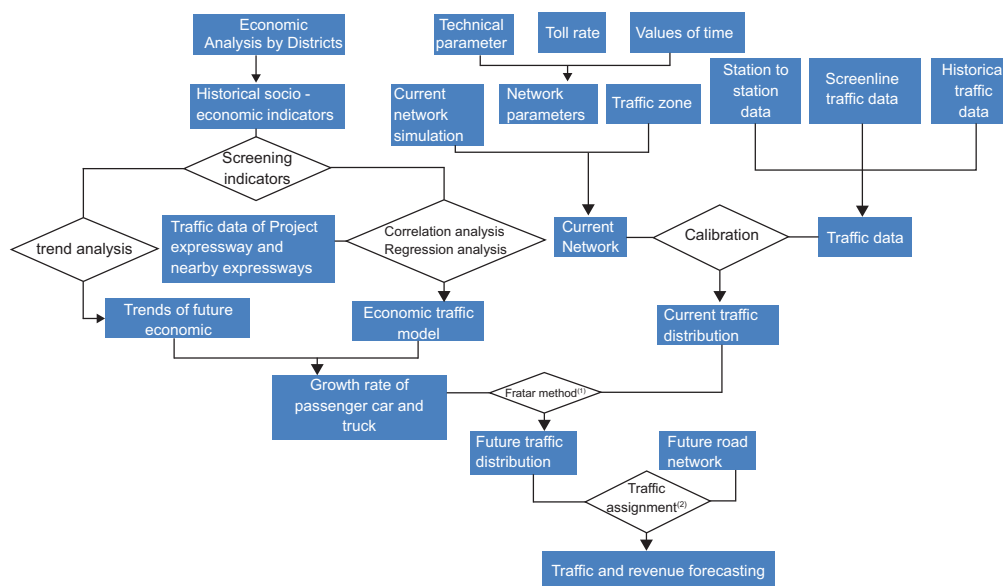
PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (more than 39 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tonnes), Class 2 Truck (2-5 (inclusive) tonnes), Class 3 Truck (5-10 (inclusive) tonnes), Class 4 Truck (10-15 (inclusive) tonnes and 20 feet container) and Class 5 Truck (More than 15 tonnes and 40 feet container) respectively.

4 Basic Approach and Key Assumptions

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

1. *Forecasting Period:* Year 2017 to 31st December 2043
2. *Socio-Economic Model:* The purpose of this model was to derive the relationship developed between historical socio-economic (mainly GDP) and traffic demand to forecast future traffic generation. Major components include:
 - Model Input:
 - Historical socio-economic Data (refer to sub-section 4 below)
 - Historical traffic data (refer to Section 3 above)
 - Future socio-economic assumptions (refer to sub-section 4 below)
 - Model Output:
 - Future traffic growth
3. *Traffic Forecasting Model:* Professional computer model simulation software “EMME/3” was used to develop the traffic forecasting model. The Consultant developed 840 traffic analysis zones (Traffic Analysis Zone, TAZ) within the province to do the analysis. The purpose of the traffic forecasting model was 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. Major components include:
 - Model Input:
 - Base year traffic origin-destination data (O-D Data) (refer to Section 3 above)
 - Base year model calibration (refer to sub-section 5 below)
 - Future traffic growth (refer to sub-section 2 above)
 - Road network (refer to sub-section 6 below)
 - Passenger car unit conversion (refer to sub-section 7 below)
 - Toll rate (refer to sub-section 8 below)
 - Volume delay functions and capacity (refer to sub-section 9 below)
 - Traffic assignment (refer to sub-section 10 below)
 - Model Output:
 - Future year traffic volume and revenue

Figure 4-1 Traffic Forecasting Model Development Method



Source: Consultant 2016

Notes:

- (1) represents a mathematical approach to balance the trip matrices in the future years
 (2) means the selection of paths between the points of origin and the points of destination in the transportation network

4. Socio-economic Factors:

In order to investigate the impacts of different economic parameters on traffic growth, the historical traffic data and the historical variations of economic parameters including the GDP, population, car ownership and income per capita were closely studied. The selected economic parameters were then subjected to correlation and regression analyses. It was found that the traffic growth was mainly correlated to GDP growth.

Historical GDP real growth is summarized in Table 4-1. The short-term real GDP growth patterns in 2017-2020 for economic zones in the project expressway's province as well as the adjacent provinces with significant origin-destination trips (from station-to-station data) were estimated by making reference to the historical average growth and the economic growth target of the 13th—Five years plans (2016-2020) of China, and certain provinces and municipalities.

The targeted real GDP growths by 2020 of China, Anhui Province, Jiangsu Province, Zhejiang Province, Jiangxi Province, Hubei Province and Henan Province by 2020 are 6.5%, 8.5 %, 7.5%, 7.0%, 8.5%, 9.0% and 8.0% respectively.

For the longer-term, growth rate assumptions for China subsequent to the years covered by the 13th Five-year plans (2016-2020), the consultant has assumed that the growth is expected to trend down as economies becomes increasingly mature and with a larger economic base. This is consistent with global experience. The China GDP growths for years 2021-2030, 2031-2040, 2041-2045 are estimated based on the estimated growth trend in 2017-2020. It is expected that the extent of growth will experience a decrease of 1.0-2.0% in every five-year slot until 2040 and 0.5-1.0% after 2040, by making reference to some other source of global economic projection such as Organisation for Economic Co-operation and Development. The assumed growth patterns for different individual provinces were based

on local economic growth trends and development. Future GDP assumptions are summarised in Table 4-2.

Table 4-1 Historical GDP Growth

	2011	2012	2013	2014	2015	2011-2015 Average Growth
Anhui Province	13.5%	12.1%	10.4%	9.2%	8.7%	10.8%
Jiangsu Province	11.0%	10.1%	9.6%	8.7%	8.5%	9.6%
Zhejiang Province	9.0%	8.0%	8.2%	7.6%	8.0%	8.2%
Jiangxi Province	12.5%	11.0%	10.1%	9.7%	9.1%	10.5%
Hubei Province	13.8%	11.3%	10.1%	9.7%	8.9%	10.8%
Henan Province	11.6%	10.1%	9.0%	8.9%	8.3%	9.6%
China	9.5%	7.9%	7.8%	7.3%	6.9%	7.9%

Source: Data available up to 2015 for Statistical Yearbooks of China, Anhui Province, Jiangsu Province, Zhejiang Province, Jiangxi Province, Hubei Province and Henan Province (2012-2016). The annual GDP growth rate between 2011 and 2015 are calculated at constant prices.

Table 4-2 Future GDP Growth Assumption

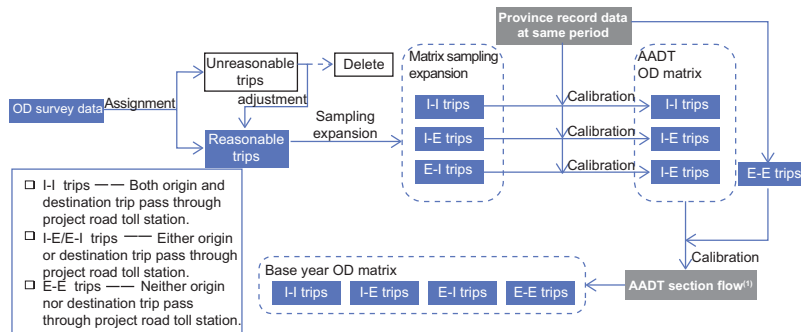
	2011-2015 Average Growth	2017-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045
Anhui Province	10.8%	8.5%	6.5%	5.0%	3.5%	2.0%	1.5%
Jiangsu Province	9.6%	7.5%	6.0%	4.5%	3.0%	2.0%	1.5%
Zhejiang Province	8.2%	7.0%	5.5%	4.0%	3.0%	2.0%	1.5%
Jiangxi Province	10.5%	8.5%	7.0%	5.0%	3.5%	2.5%	2.0%
Hubei Province	10.8%	9.0%	7.0%	5.5%	4.0%	2.5%	2.0%
Henan Province	9.6%	8.0%	6.0%	4.5%	3.0%	2.0%	1.5%
China	7.9%	6.5%	5.0%	4.0%	3.0%	2.0%	1.5%

Source: 13th Five Year Plan of China, Anhui Province, Jiangsu Province, Zhejiang Province, Jiangxi Province, Hubei Province and Henan Province for 2017-2020, Organisation for Economic Co-operation and Development (OECD), Consultant's assumption for 2021-2045.

5. *Traffic Model Calibration:*

The Consultant has calibrated the traffic model against existing traffic conditions. The procedure is summarised in the following figure. According to the calibrated results, the forecasted volumes were compatible to the observed volumes (most discrepancies were $\pm 10\%$). The Consultant concluded that the calibrated model could adequately replicate travel paths on the freeway system and could be used to perform future traffic/revenue forecasting on Machao Expressway.

Figure 4-2 Model Calibration Procedure



Source: Consultant, 2016

Note:

(1) "AADT" means annual average daily traffic

Table 4-3 Traffic Model Calibration Results (Vehicles/Peak Hour)

Calibration Location	Direction	Observed	Modelled	Difference
Nan Shan Nan Toll station	In	82	83	1.42%
	Out	94	95	1.39%
Chaohu Interchange—Han Shan Nan	Chaohu—Ma'anshan	540	541	0.20%
	Ma'anshan—Chaohu	542	543	0.29%
Han Shan Nan—Laoqiao Interchange	Chaohu—Ma'anshan	581	576	-0.81%
	Ma'anshan—Chaohu	593	590	-0.50%
Laoqiao Interchange—connected to Maqiao	Chaohu—Ma'anshan	597	601	0.69%
	Ma'anshan—Chaohu	611	612	0.26%

Source: Consultant, 2016

6. Road Network:

In the base year road network development process, the Consultant made use of the existing Anhui Province Expressway Network map and the Anhui 13th Five Year Plan Expressway Network Plan as the starting point 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.

For future years, in order to adequately assess the impacts of future highway work changes in Anhui Province on traffic demands (traffic attraction or diversion) on the project expressway, the Consultant collected the Anhui Province highway construction programs as stipulated in Anhui's 13th Five Year Plan in which future highway infrastructure projects for the years 2017 to 2022 are identified. All these new highways were coded into EMME/3 in order to evaluate the impact of the new highway(s) on Machao Expressway. There is no official source available for planned highway infrastructure projects after 2022.

Based on the traffic assignment model results, significant impacts on Machao Expressway were predicted to happen in 2018, 2020 and 2022. In 2018, Beiyangjiang Expressway section from Chauwu to Wuwei, Wuhu Yangtze River Second Bridge and the Ning Xuan Hang Expressway section Li Bridge to Xuancheng will be opened to traffic. In 2020, the easterly extension of the Yuewu Expressway will also be opened to traffic. Positive impacts on Machao Expressway will come from the easterly extension of the Yuewu Expressway whose completion will form part of the complete passage between Wuhan and Yangtze River Delta district.

Machao Expressway plays an important role as part of the Beiyangjiang Expressway system. Beiyangjiang Expressway will be completed and become operational by 2022. Since it demonstrates similar functions as the easterly extension of the Yuewu Expressway, its opening will result in a bit positive impacts on the Machao Expressway. The traffic impacts on the project road due to the opening of the above-mentioned roads are summarised in the following table.

Table 4-4 New Expressways with Traffic Impact

Name	Opening Year	Traffic Diversion / Attraction Impact on the project road
G42S: Beiyang Expressway section from Chaohuto to Wuwei	2018	Traffic Diversion Impact
S11: Wuhu Yangtze Highway Second Bridge	2018	Traffic Diversion Impact
S05: Ning Xuan Hang Expressway section from Li Bridge to Xuan Cheng	2018	Traffic Diversion Impact
G42S: Yewu Expressway Easterly Extension and Anqing Extension	2020	Traffic Attraction Impact
S22: Beiyang Expressway section from Wuwei to Anqing	2022	Traffic Attraction Impact

Source: Consultant, 2017

Note: New Expressways which are not shown on the list above have been tested in the traffic model and the traffic impacts are insignificant (due to different alignment serving different travel demand corridors or being too far away from Machao Expressway)

7. *Passenger Car Unit (PCU):*

Traffic is generally heterogeneous consisting of a variety of vehicles comprising a wide range of static and dynamic characteristics. All types of vehicles were converted into equivalent “passenger car units (PCU)” before they were taken into account in the forecasting model. A PCU is essentially the impact that a mode of transport has on traffic variables (such as headway, speed, density) compared to a single car. The PCU conversion factors used by the Consultant in this study are summarised in the following table.

Table 4-5 Passenger Car Units

Vehicle Type	No.	Name	Conversion Factor
Passenger Car	1	Class 1	1.0
	2	Class 2	1.5
	3	Class 3	2.0
	4	Class 4	2.5
	5	Class 1	1.5
Truck	6	Class 2	2.0
	7	Class 3	2.5
	8	Class 4	2.5
	9	Class 5	3.0

Source: Consultant, 2016

8. *Toll Rates:*

The Anhui Province Price Bureau and the Transport Department (document [2010]391): Notification on the adjustment of Anhui Expressways’ Toll Standard) on 21st October 2010, the basic toll charging systems were established in Table 4-6. Vehicles using the Electronic Smart Card (“Hui Tong” Card) for toll payments in Anhui Province will enjoy a discount of 5% for a 2 years period since 10th November 2010. In its study, the Consultant has assumed that the existing toll rate will continue until the end of the concession period on the project expressway in the base case.

Table 4-6 Anhui Province Expressways Basic Toll Charges

Type	Toll Charge by Vehicle Types		Toll Rate (RMB/veh-km)	Toll Charge by Weight	
	Passenger Car Description	Weight Limit of Trucks		Truck Gross Weight	Toll Rate (RMB/tonnes-km)
Type 1	≤ 7 seats	≤2 tonnes	0.45	Base Rate	0.09
Type 2	(8-19 seats)	2-5 tonnes (including 5 tonnes)	0.8	≤10 tonnes	0.09
Type 3	(20-39 seats)	5-10 tonnes (including 10 tonnes)	1.1	10-40 tonnes (including 40 tonnes)	Linear Reduction from 0.09 to 0.05
Type 4	≥ 40 seats	10-15 tonnes (including 15 tonnes)	1.3	>40 tonnes	0.05
Type 5		20 feet container >15 tonnes 40 feet container	1.5		

Over-weight Charges

The toll charges for the excess weight which is less than 30% over the vehicle limit will be the base rates. A surcharge of 3-6 times the base rates in a linear increase will be applied to the excess weight which is more than 30% but less than 100% of the vehicle weight limit. A surcharge of 6 times the base rates will be applied to the excess weight which is more than 100% of the vehicle weight limit.

Source : Anhui Machao Expressway Co., Ltd., 2016

Note 1: The base toll charges are based on the number of seats stated in the Vehicle Licence for passenger cars and gross tonnage for trucks. For articulated trucks, toll is charged according to the category one level higher of that of the major vehicle.

2: The minimum toll charge is 5 RMB for passenger cars and 20 RMB for trucks. For trucks with gross weight of less than 5 tonnes, they will be charged at 5 tonnes as the minimum. The total toll charges will be rounded to 0 RMB for less than 2.5 RMB, 5 RMB for 2.51-7.50 RMB and 10 RMB for 7.51-9.99 RMB.

3: Weight limits for "Green Passage" trucks are : 17 tonnes for 2 axle trucks, 25 tonnes for 3 axle trucks, 35 tonnes for 4 axle trucks, 43 tonnes for 5 axle trucks, 49 tonnes for 6+ axle trucks.

Trucks carrying fresh and agricultural products in regular weight that are qualified to "Green Passage" policy will be free of charge . Over-weight trucks by 5% or more are excluded.

In addition, this notification also imposed to levy supplementary toll charges for the passage of major bridges and tunnels on freeways in Ahhui Province which are summarised in Table 4-7.

Table 4-7 Anhui Province Expressways Supplementary Toll Charges for the of Major Bridges and Tunnels

Vehicle Type	Vehicle Type and Description		Supplementary Charges (Unit: RMB/Veh)
	Passenger Cars	Trucks	
Type 1	≤ 7 Seats	≤2 Tonnes	10
Type 2	(8-19 Seats)	2-5 Tonnes (including 5 tonnes)	15
Type 3	(20-39 Seats)	5-10 Tonnes (including 10 tonnes)	20
Type 4	≥ 40 Seats	10-15 Tonnes (including 15 tonnes)	
		20 Feet Container	25
Type 5		>15 Tonnes	
		4 0 Feet Container	30

Source : Anhui Machao Expressway Co., Ltd., 2016

Further, the Transport Department of Anhui Province announced the “Preferential Policies ” for trucks on 7th July 2016 in order to adjust the electronic toll charges for trucks. On top of the existing 5% discount for trucks using the Electronic Smart Card (“Hui Tong” Card) on freeways in Anhui Province, an additional 10% discount were applied. This “Preferential Policy” are applied three years effective from 12th July 2016 to 11st July 2019.

The objective of “Preferential Policies” is to promote “Hui Tong” Card usage. It is anticipated that the truck toll charge will decrease as well as the usage of “Hui Tong” Card will become more popular in future, more trucks using Expressway are thus anticipated.

Based on the 24th July 2012 Notification on “Toll Free Options for Small Passenger Cars During Major National Festivities”, small passenger cars enjoy toll free travel on expressways during Spring Festival, Qing Ming Festival, Labour Festival and National Holiday Festival. Vehicles that qualify for this concession are passenger cars of 7 seats or less, and motorcycles. This policy applies to all Government approved expressways, including Machao Expressway.

Based on the Notification on “Enhancement of the “Green Passage” Policy for the transportation of fresh and agricultural products, with effect on 1st December 2010, all toll roads are included in the “Green Passage” network for the transportation of fresh and agricultural products. Trucks carrying fresh and agricultural products in regular weight that are qualified to the “Green Passage” policy will be free of charge. Over-weight trucks by 5% or more are excluded.

In order to assess the impact of these policies, the Consultant studied the implementation plan of the Notification on “Toll Free Policy during Major National Festivities”, namely Spring Festival, Qing Ming Festival, Labour Festival and National Festival, which covers a total of 20 days as well as the “Green Passage” Policy. The impact was accounted for in the traffic and revenue forecasting procedures and results. The Consultant also assumed that these toll free policies will last till the end of the concession period of Machao Expressway.

9. *Traffic Volume Delay Functions and Road Capacity:*

Base year capacity = 144,526 (PCU/day) or equivalent to 93,242 (veh/day). No future road expansion is assumed.

Travel time is usually derived directly from speed which in turn would be influenced by level of congestion on the road. Congestion level on the project expressway in the base year was calculated. To estimate future travel speeds on Machao Expressway under continuous traffic growth, a “capacity constrained” model was used.

The major factors that may affect the capacity of an expressway include design standards (design speed), vehicle type composition and hourly distribution of daily traffic demands (peak hour factor). The assumptions adopted for the planning and design of the project expressway included design speed of 120 km/hr, level of service C ($0.55 \leq \text{Volume/Capacity Ratio} \leq 0.75$), section flow capacity of 1650 pcu/lane/hr (refer to Highway Engineering Technical Specifications-JTG B01-2014), and peak hour factor of 6.85% (obtained from traffic survey and station-station traffic data).

Based on the above parameters, the project road section-flow capacity in the base year is 144,526 (PCU/day), which is equivalent to 93,242 (veh/day) by using the average passenger car conversion factor of 1.55 pcu/veh (obtained from traffic survey and station-station traffic data). However, changes in the ratio of passenger cars to trucks using Machao Expressway in the future will affect the section flow capacity measured in number of vehicles on Machao Expressway and accordingly the time at which usage reaches full capacity. The future capacity of the Machao Expressway may therefore vary from the base year calculation.

10. *Traffic Assignment:*

This study adopted “generalised-cost” as the factor to influence the basis for decisions to select travel paths by the trip makers. This arrives at a balanced trip distribution on the road network within the study area. The “generalised 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 road users’ willingness to pay certain travel costs and travelling speed/congestion levels on the Machao Expressway in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs is allocated by the model to the path of the lowest generalised cost. Traffic assignment is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. For example: If there are 2 highways of the same class in an iteration, the highway which carries the lower volume would be selected as the travel path. However, in a subsequent iteration, these 2 highways may have different generalised costs which would then dictate which would be the more attractive path. 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 volume by taking into account the distance travelled.

5 Traffic and Revenue Forecast Results

Based on the study approach and key assumptions described in Section 4, the base year for the analysis was set at 2016. Future traffic volumes and revenues are forecasted below for the years 2017-2022 (being the period up to which assessment of the impacts of future highway work changes has been made) and thereafter for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its current term.

In addition to the base case, sensitivity tests were also carried out. The description of the sensitivity tests are summarised in Table 5-1.

Table 5-1 Description of Scenarios

Test Option	Contents
(1) Base Case	Based on the key assumptions in Section 4.
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 reduced by 10%;
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Section 4 increased by 10%;
(4) Sensitivity Test 3	Based on the Base Case, the toll rates were increased by 5% every 5 years

Source: Consultant, 2016

5.1 Base Case Scenario

Based on the above considerations, the traffic flows and toll revenue forecasts of Machao Expressway for the period 2017-2022 and for the first year of each of the periods for which growth assumptions are shown in Table 4-2 and for the period of the concession during the last year of its current term are shown in Table 5-2 and Table 5-3 respectively.

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

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	23,561	72.9%	27.1%	19,359	69.7%	30.3%	
2018 ⁽²⁾	26,801	73.7%	26.3%	22,087	70.6%	29.4%	13.8%
2019	30,397	74.4%	25.6%	25,057	71.5%	28.3%	13.4%
2020 ⁽³⁾	35,352	75.4%	24.6%	29,249	72.6%	27.4%	16.3%
2021	39,510	76.2%	23.8%	32,656	73.3%	26.7%	11.8%
2022 ⁽⁴⁾	44,091	76.4%	23.6%	36,419	73.6%	26.4%	11.6%
2026	64,395	78.5%	21.5%	53,384	75.9%	24.1%	9.9%(1a)
2031	91,684	79.9%	20.1%	77,205	77.9%	22.1%	7.3%(1b)
2036	115,030	80.8%	19.2%	98,503	79.2%	20.8%	4.6%(1c)
2041 ⁽⁵⁾	115,109	80.8%	19.2%	98,579	79.1%	20.9%	0.0%(1d)
2043	115,109	80.8%	19.2%	98,579	79.1%	20.9%	0.0%(1e)

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of the Section from Chaohu to Wuwai on the Beiyang Expressway, the Wuhu Yangtze River Second Bridge and the Ningxuan Expressway; (3) Road widenings on Hening Expressway, He'an Expressway and Hewu Expressway as well as the easterly extension of Yuewu Expressway; (4) Opening of the Beiyang Expressway; (5) At capacity on some sections of Machao Expressway.

Table 5-3 Annual Revenue Forecasts (Base Case) on Machao Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 581,638	¥212,297,800	11.8%	¥ 8,732,207
2018	¥ 645,111	¥235,465,549	10.9%	¥10,105,327
2019	¥ 718,430	¥262,226,914	11.4%	¥11,597,955
2020	¥ 840,696	¥307,694,805	17.0%	¥13,760,910
2021	¥ 929,230	¥339,168,854	10.5%	¥15,521,247
2022	¥1,034,110	¥377,450,148	11.3%	¥17,370,204
2026	¥1,468,904	¥536,149,814	9.2%(2a)	¥26,245,862
2031	¥2,067,772	¥754,736,762	7.1%(2b)	¥28,650,611
2036	¥2,587,741	¥947,113,129	4.6%(2c)	¥28,650,611
2041	¥2,593,860	¥946,758,836	0.0%(2d)	¥28,650,611
2043 ⁽⁴⁾	¥2,593,860	¥946,758,836	0.0%(2e)	¥28,650,611

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 31st Dec, 2043.

5.2 Sensitivity Test 1

Tables 5-4 to 5-5 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% reductions in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-4 Annual Average Daily Traffic (Sensitivity Test 1)—Section Flow on Machao Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	23,303	72.8%	27.2%	19,149	69.6%	30.4%	
2018 ⁽²⁾	26,234	73.5%	26.5%	21,619	70.4%	29.6%	12.6%
2019	29,452	74.2%	25.8%	24,214	71.4%	28.9%	12.3%
2020 ⁽³⁾	33,926	75.1%	24.9%	28,066	72.3%	27.7%	15.2%
2021	37,572	75.8%	24.2%	31,058	72.9%	27.1%	10.7%
2022 ⁽⁴⁾	41,566	76.0%	24.0%	34,335	73.2%	26.8%	10.6%
2026	58,860	77.9%	22.1%	48,775	75.2%	24.8%	9.1%(1a)
2031	81,924	79.3%	20.7%	68,841	77.1%	22.9%	6.8%(1b)
2036	102,947	80.0%	20.0%	87,733	78.2%	21.8%	4.7%(1c)
2041 ⁽⁵⁾	114,207	80.3%	19.7%	97,994	78.7%	21.3%	2.1%(1d)
2043	114,207	80.3%	19.7%	97,994	78.7%	21.3%	0.0%(1e)

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of the Section from Chaohu to Wuwai on the Beiyang Expressway, the Wuhu Yangtze River Second Bridge and the Ningxuan Expressway; (3) Road widenings on Hening Expressway, He'an Expressway and Hewu Expressway as well as the easterly extension of Yuewu Expressway; (4) Opening of the Beiyang Expressway; (5) At capacity on some sections of Machao Expressway;

Table 5-5 Annual Revenue Forecasts (Sensitivity Test 1) on Machao Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 575,986	¥210,234,934	10.7%	¥ 8,625,807
2018	¥ 632,964	¥231,032,009	9.9%	¥ 9,865,419
2019	¥ 698,467	¥254,940,273	10.3%	¥11,196,566
2020	¥ 810,269	¥296,558,453	16.0%	¥13,147,099
2021	¥ 888,568	¥324,327,191	9.7%	¥14,680,264
2022	¥ 981,214	¥358,142,974	10.4%	¥16,272,035
2026	¥1,355,212	¥494,652,278	8.4%(2a)	¥23,761,688
2031	¥1,864,684	¥680,609,677	6.6%(2b)	¥25,740,688
2036	¥2,336,067	¥855,000,648	4.6%(2c)	¥25,740,688
2041	¥2,593,053	¥946,464,308	2.1%(2d)	¥25,740,688
2043 ⁽⁴⁾	¥2,593,053	¥946,464,308	0.0%(2e)	¥25,740,688

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 31st Dec, 2043.

5.3 Sensitivity Test 2

Tables 5-6 to 5-7 illustrate the sensitivity of the forecast future traffic volumes and revenues due to 10% increases in the socio-economic growth parameters assumptions set out in Section 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Annual Average Daily Traffic (Sensitivity Test 2)—Traffic Flow on Machao Expressway (Vehicles/Day)

Year	Average Daily Traffic Volume ^(*)			Weighted Average Section Flow ^(#)			Growth of Average Daily Traffic Volume ⁽¹⁾
	Total	PV %	GV %	Total	PV %	GV %	
2017	23,808	72.9%	27.1%	19,565	69.7%	30.3%	
2018 ⁽²⁾	27,371	73.8%	26.2%	22,559	70.8%	29.2%	15.0%
2019	31,436	74.6%	25.4%	25,919	71.6%	28.2%	14.9%
2020 ⁽³⁾	36,826	75.7%	24.3%	30,471	72.9%	27.1%	17.1%
2021	41,529	76.5%	23.5%	34,334	73.7%	26.3%	12.8%
2022 ⁽⁴⁾	46,732	76.8%	23.2%	38,607	74.1%	25.9%	12.5%
2026	70,315	79.0%	21.0%	58,324	76.5%	23.5%	10.8%(1a)
2031	102,314	80.5%	19.5%	86,843	78.7%	21.3%	7.8%(1b)
2036 ⁽⁵⁾	115,584	81.0%	19.0%	98,920	79.3%	20.7%	2.5%(1c)
2041	115,584	81.0%	19.0%	98,920	79.3%	20.7%	0.0%(1d)
2043	115,584	81.0%	19.0%	98,920	79.3%	20.7%	0.0%(1e)

Note: (*)The average daily traffic volume (ADT) refers to the sum of project road daily traffic, including the number of vehicles leaving the project road toll station, the number of vehicles entering the project road but leaving from other expressways, and the number of vehicles passing through the project road but not entering or leaving from the project road toll stations. (#) Weighted average daily section flow : the quotient of dividing (a) the sum of the products of multiplying (i) the daily average traffic volume of each section by (ii) the mileage of such section, by (b) the total mileage.

(1) Year-on-year growth rates during each of the years between 2017 and 2022; (1a) CAGR implied from the comparison of ADT volumes in 2022 to ADT volumes in 2026; (1b) CAGR implied from the comparison of ADT volumes in 2026 to ADT volumes in 2031; (1c) CAGR implied from the comparison of ADT volumes in 2031 to ADT volumes in 2036; (1d) CAGR implied from the comparison of ADT volumes in 2036 to ADT volumes in 2041; (1e) CAGR implied from the comparison of ADT volumes in 2041 to ADT volumes at the end of the concession period. (2) Opening of the Section from Chaohu to Wuwai on the Beiyang Expressway, the Wuhu Yangtze River Second Bridge and the Ningxuan Expressway; (3) Road widenings on Hening Expressway, He'an Expressway and Hewu Expressway as well as the easterly extension of Yuewu Expressway; (4) Opening of the Beiyang Expressway; (5) At capacity on some sections of Machao Expressway;

Table 5-7 Annual Revenue Forecasts (Sensitivity Test 2) on Machao Expressway (RMB)

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 587,136	¥214,304,775	12.8%	¥ 8,834,889
2018	¥ 657,507	¥239,990,118	12.0%	¥10,344,210
2019	¥ 742,262	¥270,925,530	12.9%	¥12,019,302
2020	¥ 872,218	¥319,231,901	17.5%	¥14,396,392
2021	¥ 972,026	¥354,789,539	11.4%	¥16,397,788
2022	¥1,090,084	¥397,880,521	12.1%	¥18,517,002
2026	¥1,592,230	¥581,163,935	9.9%(2a)	¥28,884,254
2031	¥2,299,035	¥839,147,668	7.6%(2b)	¥31,756,297
2036	¥2,594,464	¥949,573,997	2.4%(2c)	¥31,756,297
2041	¥2,594,464	¥946,979,532	0.0%(2d)	¥31,756,297
2043 ⁽⁴⁾	¥2,594,464	¥946,979,532	0.0%(2e)	¥31,756,297

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Forecast period ends on 31st Dec, 2043.

5.4 Sensitivity Test 3

Since toll variations would be introduced on a province wide basis, there will be minimal diversions among freeways in the road network. As a result, it has been assumed that future traffic volumes will remain the same as the Base Case. Based on assumptions shown in Table 5-1, the forecasted traffic volumes at section flows, toll charges for various vehicle types for the Base year and an annual toll hike of 5% in every 5 years following the base year for the analysis of 2016 (i.e. 2021, 2026, 2031, 2036 and 2041), the future revenues for the “Toll Rate Adjustment” scenario are summarised in Table 5-8. The revenue losses caused by toll free vehicles during major festivities were categorised separately for reference.

Table 5-8 Annual Revenue Forecasts (Sensitivity Test 3) on Machao Expressway

Year	Average Daily Revenue (RMB) ⁽¹⁾	Annual Revenue (RMB) ⁽¹⁾	Growth of Average Daily Revenue ⁽²⁾	Revenue Loss Due to Major Festivities (RMB) ⁽³⁾
2017	¥ 581,638	¥ 212,297,800	11.8%	¥ 8,732,207
2018	¥ 645,111	¥ 235,465,549	10.9%	¥10,105,327
2019	¥ 718,430	¥ 262,226,914	11.4%	¥11,597,955
2020	¥ 840,696	¥ 307,694,805	17.0%	¥13,760,910
2021 ⁽⁴⁾	¥ 975,691	¥ 356,127,297	16.1%	¥16,297,309
2022	¥1,085,815	¥ 396,322,656	11.3%	¥18,238,715
2026 ⁽⁴⁾	¥1,619,466	¥ 591,105,170	10.5%(2a)	¥28,936,063
2031 ⁽⁴⁾	¥2,393,705	¥ 873,702,144	8.1%(2b)	¥33,166,664
2036 ⁽⁴⁾	¥3,145,415	¥1,151,221,928	5.6%(2c)	¥34,824,997
2041 ⁽⁴⁾	¥3,310,495	¥1,208,330,847	1.0%(2d)	¥36,566,247
2043 ⁽⁵⁾	¥3,310,495	¥1,208,330,847	0.0%(2e)	¥36,566,247

Source: Consultant, 2017.

Note: (1) Revenue forecasts were based on current value. The Consultant has not predicted yearly fluctuation of the inflation indices. The average daily revenue equals the annual revenue divided by 365 days for common years or 366 days for leap year(s). (2) Year-on-year growth rates during each of the years between 2017 and 2022; (2a) CAGR implied from the comparison of average daily revenue in 2022 to average daily revenue in 2026; (2b) CAGR implied from the comparison of average daily revenue in 2026 to average daily revenue in 2031; (2c) CAGR implied from the comparison of average daily revenue in 2031 to average daily revenue in 2036; (2d) CAGR implied from the comparison of average daily revenue in 2036 to average daily revenue in 2041; (2e) CAGR implied from the comparison of average daily revenue in 2041 to average daily revenue at the end of the concession period. (3) Forecasted revenues already reflected the impacts of toll free vehicles (7 seats or less passenger cars). It was assumed that 20 days in a year will experience the toll free policy. Revenue losses due to toll free vehicles are shown separately in the table. (4) Toll increase of 5%; (5) Forecast period ends on 31st Dec, 2043.

6 Conclusion

Machao Expressway is part of the Beiyangjiang Expressway and also a major freeway connection between Yangzhou and Wuhan. It provides the most convenient freeway passage from Wuhan to Yangtze River Delta.

This study carried out future traffic volume and revenue forecasting for periods from 2017 to 2043. The major Study results are summarised as follows:

- 1) From 2017 to 2043, the forecasted annual average daily traffic on Machao Expressway traffic would increase from 23,561 vehicles/day to 115,109 vehicles/day during the respective periods, representing a growth of 389%;
- 2) The forecasted annual revenue on Machao Expressway would increase from 212.3 million RMB/year in 2017 to 946.8 million RMB/year in 2043. From 2017 to

2043, Machao Expressway traffic would generate a total revenue of 18.003 billion RMB.

The information contained in this report has been obtained through the Consultant's primary research, i.e. traffic-related surveys at the toll stations as well as secondary research, i.e. information obtained from the project company, and third parties such as government or official sources.

The study approach of this report includes information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Assumptions in the economic model and traffic forecasting model take account of historical economic and traffic data, economic growth patterns, transport development plans and forecasts of future development projects in the project vicinity areas. The traffic forecasts in this report are based on generally accepted procedures and practices in the industry. All reasonable and professional skill, judgement, care and due diligence has been exercised in preparing this report. 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 cannot be predicted at this juncture. In addition, the results of this Study only reflect the general traffic and revenue variations over the entire commissioned period of Machao Expressway. Discrepancies for certain individual year(s) may still be possible. Despite significant efforts used by the Consultant to maintain technical excellence in the exercise, the Consultant accepts no responsibility or liability for any forecasting results.

Yours faithfully,

Derek Leung

BEng, MSc, MFin, MHKIE, MCILT

Project Director

For and on behalf of

WB Group Consulting (Shenzhen) 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, South Korea and the PRC.

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “Board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were conditionally adopted on 19 June 2017 to take effect on the Listing Date. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board,

which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the Board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other bye laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which

the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (A) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (B) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (C) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

- (D) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (E) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other bye laws. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments (but without prejudice to any

claim for damages that such Director may have against the Company or vice versa). The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) Borrowing powers

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

(d) The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve. Variation of rights of existing shares or classes of shares.

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Bye-laws (see paragraph 2(i) below for more details).

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a

duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a

statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including a special general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Bye-laws), it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not

less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the members.

(j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the

instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the Board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

(n) Board distribution policy

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that

shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

As reflected in a resolution of the Board passed on the date of adoption of these Bye-laws, it is the current intention, as at the date of adoption of these Bye-laws, of the Board to declare and distribute in the form of interim and final dividends aggregating not less than 90% of the Group Distributable Income in respect of each Financial Year. Subject to compliance with all applicable laws of Bermuda, the Bye-laws and the availability of distributable reserves, the Board may declare and distribute such additional amounts as the Board in its discretion determines. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Board in its discretion; and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant Financial Year (or other period in respect of which the distribution is made) or proportionate to the Group Distributable Income in respect of the relevant Financial Year.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(p) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum

payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(q) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(r) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(s) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(u) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten (10) clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (A) the preliminary expenses of the company; or
 - (B) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye laws and nothing therein precludes a variation of such rights, the written consent of the holders of three fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

- (b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

- (c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased

may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of

some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye laws of the company. The directors of a company may, subject to the bye laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the

company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarised financial statements instead. The summarised financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarised financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give

notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes

shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye laws of a company, minutes of general meetings and the company’s audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The

company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarised financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarised financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

Taxation in the PRC

Enterprise income tax

Pursuant to PRC EIT Law, income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. Pursuant to the PRC EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax on the income derived from both inside and outside the PRC. An organisation or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax on (1) the income derived in the PRC and (2) the income derived from outside the PRC but which has an actual connection with such organisation or establishment in the PRC. For a non-resident enterprise which has not set up any organisation or establishment in the PRC, or has set up an organisation or establishment in the PRC but the income it derives has no actual connection with such organisation or establishment, only its income derived in the PRC will be subject to enterprise income tax.

Pursuant to the PRC EIT Law and the EIT Rules, income derived from equity investments between qualified resident enterprises such as dividends and bonuses, meaning investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排, “Tax Treaties”), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC Law. If the beneficiary of the dividends is a Hong Kong resident enterprise which directly holds no less than a 25% equity interests in the aforesaid enterprise (i.e. the dividend distributor), the tax levied is 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise which directly holds less than a 25% equity interest in the aforesaid enterprise, the tax levied is 10% of the distributed dividends. Meanwhile, the Circular of the State Administration of Taxation on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) has stipulated factors that are unfavourable to determination of “beneficial owner”. In general, a “beneficial owner” is engaged in actual operating activities and may be an individual, a company or any other group. An agent or a conduit company does not belong to a “beneficial owner”.

A conduit company refers to a company normally established for the purpose of the evasion, reduction or transfer of tax or the accumulation of profit. This type of company only registers in the country where it is located, so as to exist in an organisational form required by the law, and is not engaged in actual operating activities, such as manufacture, distribution or management.

Its explanation and implementation is further clarified by the Announcement on the Determination of “Beneficial Owner” in tax treaties (關於認定稅收協定中“受益所有人”的公告) promulgated by the State Administration of Taxation (“SAT”) on 29 June 2012.

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, where a tax resident of the other side of

the tax treaties directly owns equities above a certain proportion (generally 25% or 10%) of the Chinese resident company which pays dividends, the dividends obtained may be taxed at the tax rate specified in the tax treaties. The tax resident of the other side shall satisfy the following conditions simultaneously in order to be eligible for the tax treaties treatment: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident must reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident must reach the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) which were last amended and became effective on 6 February 2016 and their implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("VAT"). The amount of VAT payable is calculated as "output VAT" minus "input VAT". Subject to certain exceptions, the rate of VAT is 17% for those engaging in the sale or importation of goods and for those providing processing services, repairs and replacement services.

Business Tax

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Business Tax Policy for Vehicle Toll Income of Highway Operators (財政部、國家稅務總局關於公路經營企業車輛通行費收入營業稅政策的通知) issued on 11 May 2005, the business tax of the operator of a toll expressway with respect to its vehicle tolls was reduced from 5% to 3% from 1 June 2005.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) issued on 23 March 2016 and which became effective on 1 May 2016, upon approval by the State Council, the pilot programme of replacing business tax with value-added tax was implemented nationwide and all business tax payers in the construction industry, real estate industry, finance industry and consumer service industry, etc. are now included within the scope of the pilot programme and hence, pay value-added tax instead of business tax. For expressways that came into operation before the pilot programme commenced i.e. the contract commencement date indicated in the construction permit is on or before 30 April 2016, the expressway enterprises may choose to use the simple taxation method to calculate the tax amount payable at the reduced levy rate of 3%.

Taxation in Hong Kong

Tax on Dividends

Under the current practices of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. However, trading gains from the sale of the Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of the Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the Shares, will be payable by the purchaser on every purchase and by the seller on every sale of (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving the shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of the Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for the application of a grant of representation in respect of holders of the Shares whose deaths occur on or after 11 February 2006.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR GROUP**1. Key corporate history**

The following is a brief description of key corporate developments of members of our Group.

Offshore investment holding companies***RKC (BVI)***

As at the Latest Practicable Date, RKC has 2,000,000,000 shares in issue. RKC is principally engaged in investment holding, and holds our investments.

RKC was incorporated in the BVI with limited liability in October 1994 and is authorised to issue a maximum of 2,000,000,000 shares of a single class each with a par value of HK\$1.00. The following changes in the share capital of RKC have taken place since the date of incorporation of RKC up to the date of this prospectus:

- (a) On 18 October 1994, RKC allotted and issued for cash at par 2 shares of HK\$1.00 each to ZIL.
- (b) On 17 November 1994, RKC allotted and issued for cash at par 479,999,998 shares and 320,000,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively. Immediately after such issue and allotment, the issued share capital of RKC was owned as to 60% by ZIL and 40% by AIG-AIF.
- (c) On 7 February 1995, RKC allotted and issued for cash at par 60,000,000 and 40,000,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (d) On 30 September 1995, RKC allotted and issued for cash at par 84,000,000 and 56,000,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (e) On 31 October 1995, RKC allotted and issued for cash at par 39,396,000 and 26,264,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (f) On 6 November 1995, RKC allotted and issued for cash at par 60,000,000 and 40,000,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (g) On 3 January 1996, RKC allotted and issued for cash at par 36,000,000 and 24,000,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (h) On 12 March 1996, RKC allotted and issued for cash at par 20,604,000 and 13,736,000 shares of HK\$1.00 each to ZIL and AIG-AIF respectively, pro rata to their shareholding in RKC.
- (i) On 29 March 1996, ZIL transferred 52,650,000, 4,550,000 and 7,800,000 shares in RKC to Glorious Manhattan Limited, The HSBC China Fund Limited and Horsford Nominees Limited, at a consideration of HK\$103,680,000, HK\$8,960,000

and HK\$15,360,000 respectively. Immediately after the aforesaid transfers, the shareholding of RKC was as follows:

<u>Name</u>	<u>Proportion of registered capital held</u>
ZIL	55%
AIG-AIF	40%
Glorious Manhattan Limited	4.05%
The HSBC China Fund Limited	0.35%
Horsford Nominees Limited	0.6%

- (j) On 23 May 1996, AIG-AIF transferred 65,000,000 shares in RKC to ZIL at a consideration of HK\$90,821,917.81. Immediately after the aforesaid transfer, the shareholding of RKC was as follow:

<u>Name</u>	<u>Proportion of registered capital held</u>
ZIL	60%
AIG-AIF	35%
Glorious Manhattan Limited	4.05%
The HSBC China Fund Limited	0.35%
Horsford Nominees Limited	0.6%

- (k) On 10 June 1996, ZIL, AIG-AIF, Glorious Manhattan Limited, The HSBC China Fund Limited and Horsford Nominees Limited transferred respectively 780,000,000, 455,000,000, 52,650,000, 4,550,000 and 7,800,000 shares in RKC to RKI in consideration of the allotment and issue by RKI of 239,400,000, 139,600,000, 16,200,000, 1,400,000 and 2,400,000 shares of HK\$0.10 each in RKI, credited as fully paid, respectively to ZIL, AIG-AIF, Glorious Manhattan Limited, The HSBC China Fund Limited and The China Fund, Inc. or their nominees, and paying up in full at par the 600,000 and 400,000 nil-paid shares in RKI registered in the name of ZIL and AIG-AIF. Immediately after the aforesaid transfers, RKC became a wholly-owned subsidiary of RKI.
- (l) On 31 December 2012, RKC allotted and issued for cash at par 700,000,000 shares of HK\$1.00 each to RKI.

Intersafe (BVI)

As at the Latest Practicable Date, Intersafe had 16,000,000 shares in issue. Intersafe is principally engaged in investment holding, and holds our investment in the Longcheng Expressway JV directly.

Intersafe was incorporated in the BVI with limited liability on 18 January 1996 and is authorised to issue a maximum of 16,000,000 shares of a single class each with a par value of US\$1.00.

On 22 March 1996, one share in Intersafe was issued and allotted for cash at par to Copleston Investments Limited. Immediately after such issue and allotment, Intersafe was wholly-owned by Copleston Investments Limited.

On 24 May 1996, RKC acquired one share in Intersafe from Copleston Investments Limited at a consideration of US\$1.00. Immediately after such transfer, Intersafe became a wholly-owned subsidiary of RKC.

On 7 January 2011 and 25 August 2011, Intersafe issued and allotted for cash at par 6,299,999 and 9,700,000 shares to RKC. Immediately after the aforesaid issue and allotment, Intersafe remained a wholly-owned subsidiary of RKC.

Ontex (BVI)

As at the Latest Practicable Date, Ontex had one share in issue. Ontex is principally engaged in investment holding, and holds our investment in the Tangjin Expressway JV directly.

Ontex was incorporated in the BVI with limited liability on 18 January 1996 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 22 March 1996, one share in Ontex was issued and allotted for cash at par to Copleston Investments Limited. Immediately after such issue and allotment, Ontex was wholly-owned by Copleston Investments Limited.

On 24 May 1996, RKC acquired one share in Ontex from Copleston Investments Limited at a consideration of US\$1.00. Immediately after such transfer, Ontex became a wholly-owned subsidiary of RKC.

Road Famous (BVI)

As at the Latest Practicable Date, Road Famous had one share in issue. Road Famous is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Famous was incorporated in the BVI with limited liability on 18 March 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 2 April 1997, one share in Road Famous was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Famous became a wholly-owned subsidiary of RKC.

Road Grand (BVI)

As at the Latest Practicable Date, Road Grand had one share in issue. Road Grand is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Grand was incorporated in the BVI with limited liability on 25 March 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 7 April 1997, one share in Road Grand was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Grand became a wholly-owned subsidiary of RKC.

Road Link (BVI)

As at the Latest Practicable Date, Road Link had one share in issue. Road Link is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Link was incorporated in the BVI with limited liability on 10 June 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 27 June 1997, one share in Road Link was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Link became a wholly-owned subsidiary of RKC.

Road Express (BVI)

As at the Latest Practicable Date, Road Express had one share in issue. Road Express is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Express was incorporated in the BVI with limited liability on 10 June 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 27 June 1997, one share in Road Express was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Express became a wholly-owned subsidiary of RKC.

Road Crown (BVI)

As at the Latest Practicable Date, Road Crown had one share in issue. Road Crown is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Crown was incorporated in the BVI with limited liability on 15 July 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 28 July 1997, one share in Road Crown was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Crown became a wholly-owned subsidiary of RKC.

Road Glorious (BVI)

As at the Latest Practicable Date, Road Glorious had one share in issue. Road Glorious is principally engaged in investment holding, and holds our investment in the Changyi Expressway JV directly.

Road Glorious was incorporated in the BVI with limited liability on 15 July 1997 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 28 July 1997, one share in Road Glorious was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Glorious became a wholly-owned subsidiary of RKC.

Road Base (BVI)

As at the Latest Practicable Date, Road Base had one share in issue. Road Base is principally engaged in investment holding, and holds our investment in the Tangjin Expressway JV directly.

Road Base was incorporated in the BVI with limited liability on 10 November 1998 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 26 November 1998, one share in Road Base was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Base became a wholly-owned subsidiary of RKC.

Road Bond (BVI)

As at the Latest Practicable Date, Road Bond had one share in issue. Road Bond is principally engaged in investment holding, and holds our investment in the Tangjin Expressway JV directly.

Road Bond was incorporated in the BVI with limited liability on 10 November 1998 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 26 November 1998, one share in Road Bond was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Bond was a wholly-owned subsidiary of RKC.

On 9 December 2003, RKI acquired one share in Road Bond from RKC at a consideration of US\$1.00. Immediately after such transfer, Road Bond was a wholly-owned subsidiary of RKI.

On 16 March 2005, RKC acquired one share in Road Bond from RKI at a consideration of US\$1.00. Immediately after such transfer, Road Bond became a wholly-owned subsidiary of RKC.

Road Rise (BVI)

As at the Latest Practicable Date, Road Rise had one share in issue. Road Rise is principally engaged in investment holding, and holds our investment in the Baojin Expressway JV directly.

Road Rise was incorporated in the BVI with limited liability on 21 September 1999 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 6 December 1999, one share in Road Rise was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, Road Rise became a wholly-owned subsidiary of RKC.

Sincere Mind (BVI)

As at the Latest Practicable Date, Sincere Mind had one share in issue. Sincere Mind is principally engaged in investment holding, and it indirectly wholly-owns Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司) through its direct wholly-owned subsidiary Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司).

Sincere Mind was incorporated in the BVI with limited liability on 18 October 2005 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00.

On 7 November 2005, one share in Sincere Mind was issued and allotted for cash at par to RKC. On 29 May 2008, RKC transferred one share in Sincere Mind to Precious Wave for cash at par. On 28 September 2016, as part of the Reorganisation, RKC acquired one share in Sincere Mind from Precious Wave at a consideration of HK\$11,853,079. Immediately after such transfer, Sincere Mind became a wholly-owned subsidiary of RKC.

RKE International Holdings Limited (勁投國際控股有限公司) (BVI)

As at the Latest Practicable Date, RKE International Holdings Limited (勁投國際控股有限公司) had one share in issue. RKE International Holdings Limited (勁投國際控股有限公司) is principally engaged in investment holding.

RKE International Holdings Limited (勁投國際控股有限公司) was incorporated in the BVI with limited liability on 21 September 2016 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 21 September 2016, one share in RKE International Holdings Limited (勁投國際控股有限公司) was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, RKE International Holdings Limited (勁投國際控股有限公司) became a wholly-owned subsidiary of RKC.

RKE Finance 2016 (A) Limited (BVI)

As at the Latest Practicable Date, RKE Finance 2016 (A) Limited had one share in issue. RKE Finance 2016 (A) Limited is principally engaged in arranging financing for the Group.

RKE Finance 2016 (A) Limited was incorporated in the BVI with limited liability on 6 October 2016 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 6 October 2016, one share in RKE Finance 2016 (A) Limited was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, RKE Finance 2016 (A) Limited became a wholly-owned subsidiary of RKC.

RKE Finance 2016 (B) Limited (BVI)

As at the Latest Practicable Date, RKE Finance 2016 (B) Limited had one share in issue. RKE Finance 2016 (B) Limited is principally engaged in arranging financing for the Group.

RKE Finance 2016 (B) Limited was incorporated in the BVI with limited liability on 6 October 2016 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00.

On 6 October 2016, one share in RKE Finance 2016 (B) Limited was issued and allotted for cash at par to RKC. Immediately after such issue and allotment, RKE Finance 2016 (B) Limited became a wholly-owned subsidiary of RKC.

HK subsidiaries***RKE International Limited (勁投國際控股有限公司) (previously known as RKE International Holdings Limited (勁投國際控股有限公司))***

As at the Latest Practicable Date, RKE International Limited (勁投國際控股有限公司) had one share of HK\$1.00 in issue. RKE International Limited (勁投國際控股有限公司) is principally engaged in investment holding.

RKE International Limited (勁投國際控股有限公司) was incorporated in HK with limited liability on 12 October 2016.

On 12 October 2016, one share in RKE International Limited (勁投國際控股有限公司) was issued and allotted for cash for HK\$1.00 to RKC. Immediately after such issue and allotment, RKE International Limited (勁投國際控股有限公司) became a wholly-owned subsidiary of RKC.

King Joint Limited (景海有限公司)

As at the Latest Practicable Date, King Joint Limited (景海有限公司) had one share of HK\$1.00 in issue. King Joint Limited (景海有限公司) is principally engaged in providing administrative services to the Group.

King Joint Limited (景海有限公司) was incorporated in HK with limited liability on 30 March 2017.

On 30 March 2017, one share in King Joint Limited (景海有限公司) was subscribed for cash for HK\$1.00 by Victon Services Limited. On 25 April 2017, Victon Services Limited transferred its one share in King Joint Limited (景海有限公司) for cash for HK\$1.00 to the Company. Immediately after such transfer, King Joint Limited (景海有限公司) became a wholly-owned subsidiary of the Company.

Kings Key Limited (盈紀有限公司)

As at the Latest Practicable Date, Kings Key Limited (盈紀有限公司) had one share of HK\$1.00 in issue. Kings Key Limited (盈紀有限公司) is principally engaged in providing administrative services to the Group.

Kings Key Limited (盈紀有限公司) was incorporated in HK with limited liability on 30 March 2017.

On 30 March 2017, one share in Kings Key Limited (盈紀有限公司) was subscribed for cash for HK\$1.00 by Victon Services Limited. On 25 April 2017, Victon Services Limited transferred its one share in Kings Key Limited (盈紀有限公司) for cash for HK\$1.00 to the Company. Immediately after such transfer, Kings Key Limited (盈紀有限公司) became a wholly-owned subsidiary of the Company.

PRC subsidiaries

Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司)

Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司) was incorporated in PRC with limited liability on 17 July 2006.

As at the Latest Practicable Date, the total investment of Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司) was RMB8 million, among which, RMB5.6 million was the registered capital. Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司) is principally engaged in investment consultancy and management consultancy and is wholly owned by Sincere Mind.

Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司)

Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司) was incorporated in PRC with limited liability on 23 February 2011.

As at the Latest Practicable Date, the registered capital of Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司) was RMB10 million. Shenzhen Lulong Investment Management Company Limited (深圳市路龍投資管理有限公司) is principally engaged in investment management and consultancy and is wholly owned by Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司).

Shenzhen Luguang Enterprise Management Company Limited (深圳市路廣企業管理有限公司)

Shenzhen Luguang Enterprise Management Company Limited (深圳市路廣企業管理有限公司) was incorporated in PRC with limited liability on 16 July 2015.

As at the Latest Practicable Date, the total investment of Shenzhen Luguang Enterprise Management Company Limited (深圳市路廣企業管理有限公司) was RMB500,000, among which RMB500,000 was the registered capital. Shenzhen Luguang Enterprise Management Company Limited (深圳市路廣企業管理有限公司) is principally engaged in investment consultancy and management consultancy and is wholly owned by RKC.

Expressway project companies

We invest in our expressway projects through the Expressway JVs which are joint ventures established between us and the Expressway JV Partners.

Changyi Expressway

Each of Road Crown, Road Express, Road Famous, Road Glorious, Road Grand and Road Link entered into the Changyi Expressway JV Contract with the Changyi Expressway JV Partner for the purpose of the construction, operation and management of Changyi Expressway, and pursuant to the Changyi Expressway JV Contract, established the Changyi Expressway JV. Under PRC law, the Changyi Expressway JV is comprised of separate joint ventures, and the liability of each joint venture partner with respect to each of the joint venture enterprises of Changyi Expressway JV is limited to the amount of registered capital which it has committed to provide.

The following table sets out the particulars of each of the joint venture enterprises of Changyi Expressway JV as at the Latest Practicable Date:

Name of the Changyi Expressway JV	Date (and place) of incorporation	Registered capital contributed by each joint venture partner and total registered capital	Proportion of registered capital held by each joint venture partner	Term of the Changyi Expressway JV
Hunan Changyi (Cangyi) Expressway Company Limited (湖南長益(滄益)高速公路有限公司)	14 October 1997 (PRC)	Road Crown: RMB42,727,600 Changyi Expressway JV Partner: RMB56,257,800 Total: RMB98,985,400	Road Crown: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)
Hunan Changyi (Ningheng) Expressway Company Limited (湖南長益(寧衡)高速公路有限公司)	14 October 1997 (PRC)	Road Express: RMB42,500,100 Changyi Expressway JV Partner: RMB55,958,000 Total: RMB98,458,100	Road Express: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)
Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司) ⁽¹⁾	14 October 1997 (PRC)	Road Famous: RMB42,541,200 Changyi Expressway JV Partner: RMB56,012,300 Total: RMB98,553,500	Road Famous: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Company Limited (湖南長益(資江二橋)高速公路有限公司)	14 October 1997 (PRC)	Road Glorious: RMB33,810,900 Changyi Expressway JV Partner: RMB44,517,400 Total: RMB78,328,300	Road Glorious: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)

APPENDIX VI
STATUTORY AND GENERAL INFORMATION

Name of the Changyi Expressway JV	Date (and place) of incorporation	Registered capital contributed by each joint venture partner and total registered capital	Proportion of registered capital held by each joint venture partner	Term of the Changyi Expressway JV
Hunan Changyi (Baining) Expressway Company Limited (湖南長益(白寧)高速公路有限公司)	14 October 1997 (PRC)	Road Grand: RMB41,875,600 Changyi Expressway JV Partner: RMB55,135,900 Total: RMB97,011,500	Road Grand: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)
Hunan Changyi (Hengchang) Expressway Company Limited (湖南長益(衡滄)高速公路有限公司)	14 October 1997 (PRC)	Road Link: RMB43,897,300 Changyi Expressway JV Partner: RMB57,797,900 Total: RMB101,695,200	Road Link: 43.17% Changyi Expressway JV Partner: 56.83%	27 years (expiring on 13 October 2024)

Note 1: Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司) has a wholly-owned subsidiary established in the PRC named Hunan Xiangyi Investment Property Company Limited (湖南省湘益投資置業有限公司), the particulars of which are as follows:

Name of subsidiary	Date (and place) of incorporation	Paid registered capital as at 31 December 2016	Proportion of registered capital held by Hunan Changyi Expressway Company Limited (湖南長益高速公路有限公司)	Term of the subsidiary
Hunan Xiangyi Investment Property Company Limited (湖南省湘益投資置業有限公司)	24 February 2011 (PRC)	RMB20,000,000	100%	60 years expiring on (23 February 2061)

The board of directors of each of the joint venture enterprises of Changyi Expressway JV is composed of seven directors, of which four are appointed by the Changyi Expressway JV Partner and three are appointed by our Group. Certain significant matters require unanimous approval by all the directors of the board of Changyi Expressway JV. Except for the matters on which unanimous approval is required, any board decision of Changyi Expressway JV require approval by two-thirds of all the directors of the board with at least one from each joint venture partner.

For details of the percentage interests in the profits, dividends or other distributions of each of the joint venture enterprises of Changyi Expressway JV, the pre-emption rights of each of the joint venture partners, the restrictions on sale, assignment or transfer of a partner's interest in the joint venture, arrangements concerning the management of the Changyi Expressway JV's business and the provisions on termination of the each of the joint venture enterprises of Changyi Expressway JV, see "The Expressway Projects—National Expressway G5513 Changsha-Yiyang Expressway ("Changyi Expressway")".

Baojin Expressway

Road Rise entered into the Baojin Expressway JV Contract with the Baojin Expressway JV Partner for the purpose of the operation and management of Baojin Expressway, and pursuant to the Baojin Expressway JV Contract, established the Baojin Expressway JV. Under PRC law, the Baojin Expressway JV is comprised of separate joint ventures, and the liability of each joint venture partner with respect to each of the joint venture enterprises of Baojin Expressway JV is limited to the amount of registered capital which it has committed to provide.

The following table sets out the particulars of each of the joint venture enterprises of Baojin Expressway JV as at the Latest Practicable Date:

<u>Name of the Baojin Expressway JV</u>	<u>Date (and place) of incorporation</u>	<u>Registered capital contributed by each joint venture partner and total registered capital</u>	<u>Proportion of registered capital held by each joint venture partner</u>	<u>Term of the Baojin Expressway JV</u>
Hebei Baofa Expressway Company Limited (河北保發高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,515,000 Baojin Expressway JV Partner: RMB57,772,600 Total: RMB96,287,600	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baofeng Expressway Company Limited (河北保豐高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,280,000 Baojin Expressway JV Partner: RMB57,420,000 Total: RMB95,700,000	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baohui Expressway Company Limited (河北保惠高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,403,000 Baojin Expressway JV Partner: RMB57,604,600 Total: RMB96,007,600	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baojie Expressway Company Limited (河北保捷高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,904,800 Baojin Expressway JV Partner: RMB58,357,200 Total: RMB97,262,000	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)

APPENDIX VI
STATUTORY AND GENERAL INFORMATION

Name of the Baojin Expressway JV	Date (and place) of incorporation	Registered capital contributed by each joint venture partner and total registered capital	Proportion of registered capital held by each joint venture partner	Term of the Baojin Expressway JV
Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,737,400 Baojin Expressway JV Partner: RMB58,106,200 Total: RMB96,843,600	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baoli Expressway Company Limited (河北保利高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,943,800 Baojin Expressway JV Partner: RMB58,415,800 Total: RMB97,359,600	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baoming Expressway Company Limited (河北保明高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB36,012,200 Baojin Expressway JV Partner: RMB54,018,200 Total: RMB90,030,400	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baosheng Expressway Company Limited (河北保升高速公路有限公司)	3 September 2003 (PRC)	Road Rise; RMB38,603,000 Baojin Expressway JV Partner: RMB57,904,600 Total: RMB96,507,600	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baoyi Expressway Company Limited (河北保怡高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,630,200 Baojin Expressway JV Partner: RMB57,945,000 Total: RMB96,575,200	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)
Hebei Baoyu Expressway Company Limited (河北保裕高速公路有限公司)	3 September 2003 (PRC)	Road Rise: RMB38,970,600 Baojin Expressway JV Partner: RMB58,455,800 Total: RMB97,426,400	Road Rise: 40% Baojin Expressway JV Partner: 60%	30 years (expiring on 2 September 2033)

The board of directors of each of the joint venture enterprises of Baojin Expressway JV is composed of ten directors, of which six are appointed by the Baojin Expressway JV Partner and four are appointed by our Group. Certain significant matters require unanimous approval by all the directors present at the meeting of the board of directors of the Baojin Expressway JV. Except for the matters on which unanimous approval is required, any board decision of the Baojin Expressway JV require approval by more than two-thirds of all the directors present at the board meeting with at least one from each joint venture partner.

For details of the percentage interests in the profits, dividends or other distributions of each of the joint venture enterprises of Baojin Expressway JV, the pre-emption rights of each of the joint venture partners, the restrictions on sale, assignment or transfer of a partner's interest in the joint venture, arrangements concerning the management of the Baojin Expressway JV's business and the provisions on termination of the each of the joint venture enterprises of Baojin Expressway JV, see "*The Expressway Projects—National Expressway G18 Baoding-Tianjin Expressway ("Baojin Expressway")*".

Tangjin Expressway

Each of Road Base, Road Bond and Ontex entered into the Tangjin Expressway JV Contract with the Tangjin Expressway JV Partner for the purpose of the operation and management of Tangjin Expressway, and pursuant to the Tangjin Expressway JV Contract, established the Tangjin Expressway JV. Under PRC law, the Tangjin Expressway JV is comprised of separate joint ventures, and the liability of each joint venture partner with respect to each of the joint venture enterprises of Tangjin Expressway JV is limited to the amount of registered capital which it has committed to provide.

The following table sets out the particulars of each of the joint venture enterprises of Tangjin Expressway JV as at the Latest Practicable Date:

Name of the Tangjin Expressway JV	Date (and place) of incorporation	Registered capital contributed by each joint venture partner and total registered capital	Proportion of registered capital held by each joint venture partner	Term of the Tangjin Expressway JV
Hebei Tanghui Expressway Company Limited (河北唐惠高速公路有限公司)	31 January 2005 (PRC)	Road Base: RMB129,295,800 Tangjin Expressway JV Partner: RMB158,028,200 Total: RMB287,324,000	Road Base: 45% Tangjin Expressway JV Partner: 55%	18 years (expiring on 30 January 2023)
Hebei Tangjin Expressway Company Limited (河北唐津高速公路有限公司)	31 January 2005 (PRC)	Road Bond: RMB112,635,000 Tangjin Expressway JV Partner: RMB137,665,000 Total: RMB250,300,000	Road Bond: 45% Tangjin Expressway JV Partner: 55%	18 years (expiring on 30 January 2023)
Hebei Tangrun Expressway Company Limited (河北唐潤高速公路有限公司)	31 January 2005 (PRC)	Ontex: RMB77,635,800 Tangjin Expressway JV Partner: RMB94,888,200 Total: RMB172,524,000	Ontex: 45% Tangjin Expressway JV Partner: 55%	18 years (expiring on 30 January 2023)

The board of directors of each of the joint venture enterprises of Tangjin Expressway JV is composed of seven directors, of which four are appointed by the Tangjin Expressway JV Partner and three are appointed by our Group. Certain significant matters require unanimous approval by all the directors present at the meeting of the board of directors of the Tangjin Expressway JV. Except for the matters on which unanimous approval is required, any board decision of the Tangjin Expressway JV require approval by more than two-thirds of all the directors present at the board meeting with at least one of which from each of the joint venture partners.

For details of the percentage interests in the profits, dividends or other distributions of each of the joint venture enterprises of Tangjin Expressway JV, the pre-emption rights of each of the joint venture partners, the restrictions on sale, assignment or transfer of a partner's interest in the joint venture, arrangements concerning the management of the Tangjin Expressway JV's business and operation and the provisions on termination of the each of the joint venture enterprises of Tangjin Expressway JV, see "*The Expressway Projects—National Expressway G25 Tangshan-Tianjin Expressway ("Tangjin Expressway")*".

Longcheng Expressway

Intersafe, entered into Longcheng Expressway JV Contract with the Longcheng Expressway JV Partner for the purpose of the construction, operation and management of Longcheng Expressway. Jinzhong Hexin Lingyu Property Development Company Limited (晉中市和信領馭房地產開發有限公司) was originally a party to the Longcheng Expressway JV Contract, but it ceased to be so within 5 months after the date of the Longcheng Expressway JV Contract, because it failed to pay its capital contribution. Pursuant to the Longcheng Expressway JV Contract, Intersafe and the Longcheng Expressway JV Partner established the Longcheng Expressway JV. The liability of each joint venture partner with respect to the Longcheng Expressway JV is limited to the amount of registered capital which it has committed to provide. For the purpose of this section, "JZPI" refers to "Jinzhong Public Infrastructure Investment Holding (Group) Company Limited (晉中市公用基礎設施投資控股(集團)有限公司) (previously known as Jinzhong Public Infrastructure Investment and Construction Company Limited (晉中市公用基礎設施投資建設有限責任公司))" and "JZLT" refers to "Jinzhong Lutong Highway Development Company Limited (晉中路通公路開發有限公司)".

The following table sets out the particulars of the Longcheng Expressway JV as at the Latest Practicable Date:

<u>Name of the Longcheng Expressway JV</u>	<u>Date (and place) of incorporation</u>	<u>Registered capital contributed by each joint venture partner and total registered capital</u>	<u>Proportion of registered capital held by each joint venture partner</u>	<u>Term of the Longcheng Expressway JV</u>
Jinzhong Longcheng Expressway Company Limited (晉中龍城高速公路有限責任公司)	15 January 2008 (PRC)	Intersafe:	Intersafe:	30 years
		RMB660,150,000	45%	(expiring on
		JZPI:	JZPI:	17 June
		RMB792,473,400	54.02%	2041)
		JZLT:	JZLT:	
RMB14,376,600	0.98%			
		Total:		
		RMB1,467,000,000		

The board of directors of the Longcheng Expressway JV is composed of eight directors, of which four are appointed by JZPI, three are appointed by our Group and one is appointed by JZLT. Certain significant matters require unanimous approval by all the directors present at the meeting of the board of directors of the Longcheng Expressway JV. Except for the matters on which unanimous approval is required, any board decision of the Longcheng Expressway JV require approval by more than two-thirds of all the directors present at the board meeting.

For details of the percentage interests in the profits, dividends or other distributions of the Longcheng Expressway JV, the pre-emption rights of each of the joint venture partners, the restrictions on sale, assignment or transfer of a partner's interest in the joint venture, arrangements concerning the management of the Longcheng Expressway JV's business and operation and the provisions on termination of the Longcheng Expressway JV, see "*The Expressway Projects—Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qi County Expressway ("Longcheng Expressway")*".

Machao Expressway

RKC entered into the Machao Expressway JV Contract with the Machao Expressway JV Partner for the purpose of the construction, operation and management of Machao Expressway, and pursuant to the Machao Expressway JV Contract, established the Machao Expressway JV. The liability of each joint venture partner with respect to the Machao Expressway JV is limited to the amount of registered capital which it has committed to provide.

The following table sets out the particulars of the Machao Expressway JV as at the Latest Practicable Date:

<u>Name of the Machao Expressway JV</u>	<u>Date (and place) of incorporation</u>	<u>Registered capital contributed by each joint venture partner and total registered capital</u>	<u>Proportion of registered capital held by each joint venture partner</u>	<u>Term of the Machao Expressway JV</u>
Anhui Machao Expressway Company Limited (安徽省馬巢高速公路有限公司)	6 December 2010 (PRC)	RKC: RMB281,750,000 Machao Expressway JV Partner: RMB293,250,000 Total: RMB575,000,000	RKC: 49% Machao Expressway JV Partner: 51%	30 years (expiring on 22 May 2044)

The board of directors of the Machao Expressway JV is composed of five directors, of which three are appointed by the Machao Expressway JV Partner and two are appointed by our Group. Certain significant matters require unanimous approval by all the directors of the board of the Machao Expressway JV. Except for the matters on which unanimous approval is required, any board decision of the Machao Expressway JV require approval by more than two-thirds of all the directors present at the board meeting.

For details of the percentage interests in the profits, dividends or other distributions of the Machao Expressway JV, the pre-emption rights of each of the joint venture partners, the restrictions on sale, assignment or transfer of a partner's interest in the joint venture, arrangements concerning the management of the Machao Expressway JV's business and operation and the provisions on termination of the Machao Expressway JV, see "*The*

Expressway Projects—Provincial Expressway S24 Ma'anshan-Chaohu (“Machao Expressway”)”.

2. Incorporation of our Company

Our Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company with limited liability on 16 November 2016 under the name of RKE International Holdings Limited. Our Company’s registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Our Company has established a principal place of business in Hong Kong at Suites 506-8, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 31 March 2017. Mr. Yu Kam Fat and Mr. Lee Tak Fai have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process and notices on our Company is the same as the address of our Company’s principal place of business in Hong Kong.

As our Company was incorporated in Bermuda, its operation is subject to the Bermuda Companies Act and its constitution, which comprises the Memorandum and the Bye-laws. For a summary of various provisions of its constitution and relevant aspects of the Bermuda Companies Act, see “Appendix IV—Summary of the Constitution of the Company and Bermuda Company Law”.

3. Changes in the share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of HK\$10,000 divided into 100,000 Shares of HK\$0.10 each. The following sets out the changes in our Company’s share capital since the date of incorporation:

- (a) On 1 December 2016, our Company allotted and issued one Share for cash at par to New Select.
- (b) Pursuant to the written resolutions passed by our sole Shareholder, New Select, on 19 June 2017, among other matters, the authorised share capital of our Company was increased from HK\$10,000 to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each by the creation of an additional of 1,999,900,000 Shares of HK\$0.10 each.
- (c) On 19 June 2017, our Company allotted and issued 499,999,999 Shares to New Select, credited as fully paid.
- (d) Subject to the Spin-off Condition and pursuant to the Capitalisation Issue, 740,000,000 new Shares will be allotted and issued to New Select, credited as fully paid up at par by capitalising and applying the sum of HK\$74,000,000 then standing to the credit of the share premium account of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

4. Written resolutions of our sole Shareholder

Pursuant to the written resolutions of the Company signed by our sole Shareholder, New Select, passed on 19 June 2017:

- (a) conditional on the Spin-off Condition and the Listing, the adoption of the Bye-laws (the terms of which are summarised in Appendix IV to this prospectus) was approved;
- (b) the increase in the authorised share capital of our Company from HK\$10,000 to HK\$200,000,000 so that thereafter, the authorised share capital of our Company comprises 2,000,000,000 Shares of HK\$0.10 each, was approved;
- (c) conditional on the Spin-off Condition, the Global Offering and the Over-allotment Option were approved and any Director was authorised to allot and issue the New Shares on and subject to the terms and conditions stated in this prospectus, the relevant application forms and the Underwriting Agreements;
- (d) conditional on the Spin-off Condition and the share premium account of our Company being credited as a result of the issue of our Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise HK\$74,000,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 740,000,000 Shares to be issued under the Capitalisation Issue;
- (e) conditional on the completion of the Global Offering, a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including but not limited to warrants, bonds and debentures convertible into Shares) which will or might require Shares to be allotted and issued, (such approval to include authorisation of our Directors to, during the validity of this mandate, make or grant offers, agreements or options (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired) provided that the aggregate number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or an issue of Shares upon the exercise of any options which may be granted under any option scheme or similar arrangement for the time being adopted, or a specific authority granted by the Shareholders in general meeting, shall not exceed 20% of the aggregate number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following the completion of the Global Offering. Such mandate will expire at the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by our Bye-laws or any applicable laws of Bermuda to be held; or

- (iii) the revocation, variation or renewal of the authority given to our Directors by the passing of an ordinary resolution of our Shareholders;
- (f) conditional on the completion of the Global Offering and subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to make repurchases of the Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares in aggregate shall not exceed 10% of the number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following the completion of the Global Offering. Such mandate will expire at the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by our Bye-laws or any applicable laws of Bermuda to be held; or
 - (iii) the revocation, variation or renewal of the authority given to our Directors by the passing of an ordinary resolution of our Shareholders; and
- (g) subject to the passing of the resolutions referred to in sub-paragraphs (e) and (f) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (e) by the addition to the aggregate number of the Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares in issue repurchased by us pursuant to the general mandate to repurchase Shares as mentioned in sub-paragraph (f) above was approved, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following the completion of the Global Offering.

5. Corporate reorganisation

As part of the Reorganisation, the following events took place:

- (a) On 28 September 2016, Jadeland Global (a wholly-owned subsidiary of RKI) acquired from RKC for an aggregate consideration of HK\$182,779,192 the following:
 - (i) two shares in Anwell Investment Limited (representing 100% of its issued share capital);
 - (ii) one share in Kamshan Investments Limited (錦山投資有限公司) (representing 100% of its issued share capital);

- (iii) one share in Kohyu Investments Limited (國裕投資有限公司) (representing 100% of its issued share capital);
 - (iv) one share in Lackson Investments Limited (力新投資有限公司) (representing 100% of its issued share capital);
 - (v) one share in Longdistance Investments Limited (朗途投資有限公司) (representing 100% of its issued share capital);
 - (vi) one share in Pondtai Investments Limited (邦泰投資有限公司) (representing 100% of its issued share capital);
 - (vii) 50,000 shares in Road Fly Investments Limited (路輝投資有限公司) (representing 100% of its issued share capital);
 - (viii) one share in Road Fortune Investments Limited (路豐投資有限公司) (representing 100% of its issued share capital);
 - (ix) one share in Road Gain Investments Limited (路傑投資有限公司) (representing 100% of its issued share capital);
 - (x) one share in Road Giant Investments Limited (路宏投資有限公司) (representing 100% of its issued share capital);
 - (xi) one share in Road Harvest Investments Limited (路盛投資有限公司) (representing 100% of its issued share capital);
 - (xii) one share in Road Keen Investments Limited (路建投資有限公司) (representing 100% of its issued share capital);
 - (xiii) one share in Road Mass Investments Limited (路裕投資有限公司) (representing 100% of its issued share capital);
 - (xiv) 50,000 shares in Road Sincere Investments Limited (路信投資有限公司) (representing 100% of its issued share capital);
 - (xv) one share in Road Success Investments Limited (路成投資有限公司) (representing 100% of its issued share capital);
 - (xvi) one share in Road Team Investments Limited (路群投資有限公司) (representing 100% of its issued share capital); and
 - (xvii) one share in Tonston Investments Limited (東迅投資有限公司) (representing 100% of its issued share capital).
- (b) On 28 September 2016, RKC acquired one share in Sincere Mind (representing 100% of its issued share capital) from Precious Wave (a wholly-owned subsidiary of RKI) at a consideration of HK\$11,853,079.
- (c) On 16 November 2016, the Company was incorporated in Bermuda with an authorised share capital of HK\$10,000 comprising of 100,000 shares of HK\$0.10 each.
- (d) On 1 December 2016, one Share was issued and allotted for cash at par to New Select.

- (e) On 19 June 2017, RKC declared a dividend of HK\$740,000,000 to the Remaining RKI Group to settle the outstanding current accounts between the Remaining RKI Group and the Group by way of set off against payment obligations of RKC.
- (f) On 19 June 2017, the Company acquired the entire issued share capital of RKC in consideration of the allotment and issue by the Company of 499,999,999 new Shares, credited as fully paid, to New Select.

6. Repurchase of the Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our sole Shareholder passed on 19 June 2017, the repurchase mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with a total number not exceeding 10% of the number of Shares in issue as at the date on which dealings in our Shares commence on the Stock Exchange, immediately following completion of the Global Offering (excluding Shares which may be issued upon the exercise of the Over-allotment Option). The repurchase mandate will remain in effect until (a) the conclusion of the next annual general meeting of our Company following the passing of the resolution, (b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws of Bermuda or the Bye-laws to be held or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the repurchase mandate, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Bye-laws of our Company and the Listing Rules and the applicable laws in Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the

purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a buy-back (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such purchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from purchasing its shares on the Stock Exchange if the purchase price is above the average closing market price by 5% or more for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from purchasing its securities if that purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect the purchases of its securities discloses to the Stock Exchange such information with respect to such purchases made on behalf of such company as the Stock Exchange may require.

(iv) *Status of repurchased securities*

The listing of all securities which are purchased by a listed company (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable.

(v) *Suspension of repurchases*

A listed company may not make any purchase of its securities after inside information has come to its knowledge, until such information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, such listed company may not purchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a listed company from purchasing its securities on the Stock Exchange if such listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to buy-backs made by a company of its securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or

any pre-opening session on the following business day. In addition, a listed company's annual report and accounts are required to disclose details regarding such purchases of securities made during the year, including a monthly analysis of the number of securities purchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid. The directors' report shall contain references to the purchases made during the year and the directors' reasons for making such purchases.

(vii) *Connected persons*

A listed company is prohibited from knowingly purchasing its securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates, and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Bye-laws, the Listing Rules and the applicable laws of Bermuda.

It is presently proposed that any repurchase of Shares will be made out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate was to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Number of Shares which may be repurchased

On the basis of 1,550,000,000 Shares in issue immediately following the completion of the Global Offering, our Directors would be authorised under the repurchase mandate to repurchase up to 155,000,000 Shares during the period in which the repurchase mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, have any present intention, if the repurchase mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws and regulations of Bermuda.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the repurchase mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, our Directors do not propose to exercise the repurchase mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:




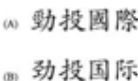

- (a) a sale and purchase agreement dated 28 September 2016 entered into between RKC, RKI and Precious Wave in respect of the acquisition by RKI from RKC of the entire issued share capital of (i) Anwell Investment Limited, (ii) Kamshan Investments Limited (錦山投資有限公司), (iii) Kohyu Investments Limited





- (國裕投資有限公司), (iv) Lackson Investments Limited (力新投資有限公司), (v) Longdistance Investments Limited (朗途投資有限公司), (vi) Pondtai Investments Limited (邦泰投資有限公司), (vii) Road Fly Investments Limited (路輝投資有限公司), (viii) Road Fortune Investments Limited (路豐投資有限公司), (ix) Road Gain Investments Limited (路傑投資有限公司), (x) Road Giant Investments Limited (路宏投資有限公司), (xi) Road Harvest Investments Limited (路盛投資有限公司), (xii) Road Keen Investments Limited (路建投資有限公司), (xiii) Road Mass Investments Limited (路裕投資有限公司), (xiv) Road Sincere Investments Limited (路信投資有限公司), (xv) Road Success Investments Limited (路成投資有限公司), (xvi) Road Team Investments Limited (路群投資有限公司) and (xvii) Tonston Investments Limited (東迅投資有限公司) for an aggregate consideration of HK\$182,779,192 and in respect of the acquisition by RKC from Precious Wave of the entire issued share capital of Sincere Mind at a consideration of HK\$11,853,079;
- (b) a sale and purchase agreement dated 19 June 2017 entered into between RKI as the vendor, the Company as the purchaser and RKC in respect of the purchase by the Company of the entire issued share capital of RKC from RKI for a consideration of HK\$4,501,286,000 satisfied by the allotment and issue by the Company (at the direction of RKI) of 499,999,999 new Shares, credited as fully paid, to New Select;
- (c) the Deed of Non-Competition; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights




As at the Latest Practicable Date, our Group and our Expressway JVs have registered or have applied for the registration of the following intellectual property rights which are material to our Group's business.

(a) Trademark registrations

	Trademark	Trademark registration no.	Class(es)	Place of registration	Date of Registration	Expiry date	Proprietor
1.		15479232	39	PRC	21 November 2015	20 November 2025	Hebei Tangjin Expressway Company Limited (河北唐津高速公路有限公司)
2.		303942270	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC
3.		303942298	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC
4.	RKE International	303942315	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC
5.		303942324	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC
6.		303942342	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC
7.		303942351	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC

	Trademark	Trademark registration no.	Class(es)	Place of registration	Date of Registration	Expiry date	Proprietor
8.							
(A)	RKE International						
							
(B)	RKE International						
							
(C)	RKE International						
							
(D)	RKE International	303942379	9, 35, 37, 39, 42	Hong Kong	26 October 2016	25 October 2026	RKC

(b) Trademark applications

	Trademark	Trademark application no.	Class(es)	Place of application	Date of application	Applicant
1.		21768659	36	PRC	2 November 2016	Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司)
2.		21768759	37	PRC	2 November 2016	Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司)
3.		21768847	42	PRC	2 November 2016	Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理顧問(深圳)有限公司)

(c) Patent application

	Name of patent	Type of patent	Application no.	Application date	Date of publication	Applicant
1.	Online monitoring management system and method for road dynamic axle load scale (一種公路動態軸重衡在綫監控管理系統及其方法)	Invention	CN201410076546.5	4 March 2014	9 September 2015	Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司), Shanghai Lujie Electronic Technology Company Limited (上海陸傑電子科技有限公司)

(d) Computer Software Copyrights

	<u>Name of software</u>	<u>Registration no.</u>	<u>Method of acquiring</u>	<u>Date of completion of development</u>	<u>Date of first publication</u>	<u>Holder of copyright</u>
1.	Truck green passage multi-parameter intelligent analysis management system V1.0 (貨車多參數智慧分析綠色通道管理系統 V1.0)	2013SR011244	Original Acquisition	1 November 2012	Non-publication	Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司), 思佳思特科技(北京)有限公司
2.	ASMS axle-load weigh-in-motion scale monitoring and management system V1.3 (ASMS 動態軸重秤監控管理系統 V1.3)	2014SR048786	Original Acquisition	12 September 2013	8 October 2013	Hebei Baojin Expressway Company Limited (河北保津高速公路有限公司), 上海陸傑電子科技有限公司

(e) Domain names

	Domain name	Registered Owner	Date of Registration	Expiry date
1.	rkeinternational.com	RKC	21 September 2016	21 September 2026
2.	rke.com.hk	RKC	21 September 2016	21 September 2021
3.	rkei.com.hk	RKC	21 September 2016	21 September 2021
4.	rkeinternational.com.hk	RKC	21 September 2016	21 September 2021
5.	rkeinternational.com.cn	Road King Enterprise Management Consultancy (Shenzhen) Company Limited (路勁企業管理 顧問(深圳)有限公司)	22 September 2016	22 September 2026
6.	rkeinternational.cn	RKC	30 September 2016	30 September 2026
7.	rkeinternational.hk	RKC	30 September 2016	30 September 2021
8.	勁投.com	RKC	30 September 2016	30 September 2026
9.	勁投.cn	RKC	30 September 2016	30 September 2026
10.	勁投.公司.香港	RKC	30 September 2016	30 September 2021
11.	勁投.香港	RKC	30 September 2016	30 September 2021
12.	勁投國際.com	RKC	30 September 2016	30 September 2026
13.	勁投國際.cn	RKC	30 September 2016	30 September 2026
14.	勁投國際.公司.香港	RKC	30 September 2016	30 September 2021
15.	勁投國際.香港	RKC	30 September 2016	30 September 2021
16.	勁投控股.com	RKC	30 September 2016	30 September 2026
17.	勁投控股.cn	RKC	30 September 2016	30 September 2026
18.	勁投控股.公司.香港	RKC	30 September 2016	30 September 2021
19.	勁投控股.香港	RKC	30 September 2016	30 September 2021
20.	勁投國際控股.com	RKC	30 September 2016	30 September 2026
21.	勁投國際控股.cn	RKC	30 September 2016	30 September 2026
22.	勁投國際控股.公司.香港	RKC	30 September 2016	30 September 2021
23.	勁投國際控股.香港	RKC	30 September 2016	30 September 2021
24.	tangjings.com	Hebei Tangjin Expressway Company Limited (河北唐津高速 公路有限公司)	19 December 2012	19 December 2017

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS**1. Particulars of Service Contracts and Letters of Appointment****(a) Executive Director**

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years, in each case commencing from the Listing Date, which may be terminated by not less than six months' advance notice in writing served by either party on the other (or such shorter notice as both parties may mutually agree to). Each of our executive Directors is entitled to their respective basic salaries set out below.

The current basic annual directors' fees of our executive Directors payable under their service contracts are as follows:

Name	Annual Directors' Fees (HK\$)
Mr. Zen Wei Pao, William (單偉豹)	2,347,400
Mr. Yu Kam Fat (俞金發)	3,360,000
Mr. Lee Tak Fai (李德輝)	2,262,000

(b) *Independent non-executive Directors*

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of not more than three years, in each case commencing from 19 June 2017, which may be terminated by not less than two months' advance notice in writing served by either party on the other. Each of our independent non-executive Directors is entitled to an annual director's fee as follows:

Name	Annual Director's Fee (HK\$)
Wong Wai Ho (黃偉豪)	545,000
Chow Liang Shuk Yee, Selina (周梁淑怡)	455,000
Ng Chung Wai, David (吳頌煒)	495,000
Sui Shujing (隋淑靜)	475,000

2. Directors' Remuneration

- (a) The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended 31 December 2014, 2015, 2016 was approximately HK\$9.3 million, HK\$8.4 million and HK\$7.4 million, respectively. For the three years ended 31 December 2016, no emoluments had been paid and no benefits in kind had been granted by our Group to our Directors at the time.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$8.3 million is payable by our Group to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the year ending 31 December 2017.
- (c) None of our Directors or past directors of any member of our Group has been paid any sum of money for each of the years ended 31 December 2014, 2015, 2016 for (a) loss of office as director of any member of our Group or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended 31 December 2016.
- (e) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company as an inducement to join or upon joining any member of our Group.

For more details on the remuneration of the Directors, see Note 12 of the Accountants' Report on Historical Financial Information, the text of which is set out in Appendix I to this prospectus.

3. Disclosure of interests and/or short positions of our Directors in the Shares, underlying shares or debentures of our Company and our Company's associated corporations

Immediately following completion of the Global Offering, save as disclosed below, none of the Directors or chief executive of our Company will have any interests or short positions in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange:

- (i) Shares/underlying shares in associated corporations

Name of Director(s)	Nature of interest	Notes	Number of Shares held		Percentage of holding (note 3)
			Long position	Short position	
Yu Kam Fat	Personal	1	500,000	—	0.07
		2	500,000	—	0.07
Lee Tak Fai	Personal	1	117,000	—	0.02

Notes:

- (1) Long position in the shares of RKL (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- (2) Long position in the underlying shares of RKL pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options were granted on 28 May 2013 with an exercisable period from 29 May 2013 to 28 May 2018 and an exercise price of HK\$7.13 pursuant to the share option scheme adopted on 8 May 2013 by RKL.
- (3) The percentage was calculated based on 745,536,566 shares of RKL in issue as at the Latest Practicable Date.

(ii) Debentures of associated corporations

<u>Name of Director(s)</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Type of debenture</u>	<u>Principal amount held</u>
Yu Kam Fat (note 1)	RKI Overseas Finance 2016 (B) Limited (note 2)	Family	US\$500 million 4.7% guaranteed senior notes due 2021	US\$650,000 (long position)

Notes:

- (1) A principal amount of US\$650,000 of US\$500 million 4.7% guaranteed senior notes due 2021 was held by Ms. Sum Suk Kuen, the spouse of Mr. Yu Kam Fat.
- (2) RKI Overseas Finance 2016 (B) Limited is a wholly-owned subsidiary of RKI.

4. Disclosure of interests and/or short positions of our substantial shareholders in the Shares, underlying shares or debentures of our Company and our Company's associated corporations

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>		<u>Percentage of holding % (Note 5)</u>
		<u>Long position (Note 1)</u>	<u>Short position</u>	
RKI (Note 2)	Interest in controlled corporation	1,131,500,000	—	73
New Select (Note 2)	Beneficial owner	1,131,500,000	—	73
Wai Kee (Note 3)	Interest in controlled corporation	1,131,500,000	—	73
Wai Kee (Zens) Holding Limited (Note 4)	Interest in controlled corporation	1,131,500,000	—	73

Notes:

- (1) Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- (2) New Select is a direct wholly-owned subsidiary of RKI.
- (3) 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, ZIL 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, through which Wai Kee owns or controls one-third or more of the voting rights in RKI.
- (4) Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee.
- (5) The percentage was calculated based on the total number of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Save as disclosed above, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

For particulars of our Expressway JV Partners who are interested in 10% or more of the registered capital of the expressways that we have interests in, see “*History, Development and Corporate Structure—Corporate History and Development of Our Group—Our expressway joint ventures*”.

5. Disclaimers

Save as disclosed in this Appendix:

- (a) none of our Directors nor experts referred to in the paragraphs headed “*E. Other Information—9. Qualification of experts*” and “*E. Other Information—10. Consent of experts*” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;
- (b) save in connection with the Underwriting Agreements, none of our Directors nor experts referred to in the paragraph headed “*E. Other Information—9. Qualification of experts*” and “*E. Other Information—10. Consent of experts*” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) save in connection with the Underwriting Agreements, none of our Directors nor experts referred to in the paragraph headed “*E. Other Information—9. Qualification of experts*” and “*E. Other Information—10. Consent of experts*” in this Appendix has received any agency fee, commissions, discounts, brokerages or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;
- (e) save as disclosed in “*Directors and Senior Management*” and “*Relationship with the Controlling Shareholder*”, none of the Directors requiring disclosure under Rule 8.10(2) of the Listing Rules is interested in any business, apart from the Group’s business, which compete or is likely to compete, directly or indirectly, with the business of the Group; and
- (f) save as disclosed in “*Business—Major Suppliers and Customers—Major Suppliers*”, so far as is known to the Directors, none of the Directors or their close associates or any Shareholders who is expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of our sole Shareholder passed on 19 June 2017 the implementation of which is conditional on the Listing:

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to provide Participants (as defined in paragraph (b) below) an opportunity to acquire proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

(b) Who may join

The Board may, at its discretion, grant options to the following persons (collectively the "Participants"):

- (i) any executive or non-executive Directors of the Group; and
- (ii) any executives, officers, consultants or full-time employees of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

An offer shall be made to a Participant by letter in such form as the Board may from time to time determine specifying, inter alia:

- (i) the number of Shares comprised in, and the option period in respect of, the relevant option;
- (ii) the subscription price;
- (iii) the acceptance date; and
- (iv) any other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and any performance targets which must be achieved before the option can be exercised) relating to the grant of an option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules, and requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

(c) Acceptance of an offer of option and exercise of options

A grant of options shall remain open for acceptance by the Participant concerned on or before the acceptance date provided that no such grant shall be open for acceptance after the expiry of the scheme period or after the Share Option Scheme is terminated or after the Participant ceases to be a Participant. An option shall be regarded as having been accepted when the Company receives from the grantee the duplicate of the grant letter, comprising acceptance of the grant, duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 as consideration for the grant of option on or before the acceptance date. Such remittance is not refundable in any circumstances.

Any offer may be accepted in whole or in part provided that it is accepted in respect of such number of Shares as represents a board lot or an integral multiple thereof and such number is clearly stated in the duplicate offer letter and accepted by the grantee in the manner specified in the foregoing paragraph. To the extent that the grant of an option is not accepted by the acceptance date in the manner indicated in the foregoing paragraph, the offer will be deemed to have been irrevocably declined and shall lapse.

An option may, subject to paragraphs (k), (l), (m), (n) and (o) and the fulfilment of all the terms and conditions set out in the offer (if any), be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) in the manner provided in paragraphs (k), (l), (m), (n) and (o) by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price multiplied by the number of Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the confirmation given by an independent financial adviser or the auditors of our Company pursuant to paragraph (q), our Company shall allot the relevant Shares to the grantee credited as fully paid and issue to the grantee a share certificate in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(d) Maximum number of Shares in respect of which options may be granted

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company and/or any subsidiary must not in aggregate exceed 10% of the number of all the issued Shares as at the Listing Date (the "Scheme Mandate Limit"). Options lapsed or cancelled in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other options to be granted under any other share option scheme of the Company and/or any subsidiary under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted (and subject to acceptance) under the Share Option Scheme and any other share option schemes of the Company and/or any subsidiary (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or such other schemes of the Company and/or any subsidiary and those that have been exercised) shall not be counted for the purpose of calculating the limit as renewed.

The Company may, with the approval of the Shareholders in general meeting, grant options beyond the Scheme Mandate Limit or the limit as renewed to any specifically

identified Participants in accordance with the provisions of the Listing Rules (which include the issue of circular containing information prescribed by the Listing Rules).

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company and/or any subsidiary shall not exceed 30% of the number of issued Shares from time to time. No options shall be granted under any schemes of our Company and/or any subsidiary (including the Share Option Scheme) if such grant will result in the 30% limit being exceeded. Option lapsed or cancelled in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the said 30% limit.

(e) Maximum entitlement of each Participant

No Participant shall be granted an option which, if accepted and exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued and which may be issued upon exercise of all options granted and to be granted to him under any share option schemes of the Company and/or any subsidiary, within the 12-month period immediately preceding the proposed grant date (including exercised, cancelled and outstanding options), would exceed 1% of the number of Shares in issue as at the proposed grant date. If the prior approval of the Shareholders in general meeting is obtained, in accordance with the relevant procedural requirements of the Listing Rules, at which meeting such Participant and his/her associates shall abstain from voting on the relevant resolution, the Board may grant options to such Participant in respect of such number of Shares and on such terms as may be specified in the said Shareholders' approval, notwithstanding that such grant of options will result in the said 1% limit being exceeded.

(f) Subscription price

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant.

(g) Grant of options to connected persons or any of their associates

Any proposed grant of options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options in question).

Where any proposed grant of options to a substantial shareholder or any independent non-executive Director, or their respective associates, would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company and/or any subsidiary in the 12-month period up to and including the proposed grant date of such options:

- (i) representing in aggregate over 0.1% of the number of Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of such options is made to (and subject to acceptance by) such person under the relevant scheme, in excess of HK\$5 million,

such further grant of options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). All the core connected persons of our Company shall abstain from voting on voting on the relevant resolution, except that any such core connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular required to be issued pursuant to the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the Company's knowledge until it has disclosed the information to the public. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding options, or any part thereof, granted to such grantee to the extent not already exercised without incurring any liability on the part of our Company.

(j) Time of exercise of options and duration of the Share Option Scheme

An option may, subject to paragraphs (k), (l), (m), (n) and (o) and the fulfilment of all the terms and conditions set out in the offer (if any), be exercised in whole or in part in

accordance with the terms of the Share Option Scheme at any time commencing on the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Subject to early termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which no further options shall be granted or accepted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted and accepted prior thereto but not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(k) Rights on termination of employment

(i) General

In the event of a grantee who is an employee or a director of our Company or a member of our Group ceasing to be a Participant for any reason other than on his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph (r)(vi), the option (to the extent not already exercised) shall lapse on the date of cessation of such employment (which date shall be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not) or directorship (in the case of a director resigning, which date shall be the date on which the resignation letter is served on our Company or the relevant member of our Group, and in all other cases, the date as determined by the Board) and shall cease to be exercisable provided that the Board may within one month from the date of such cessation otherwise determine that, the option (or such remaining part thereof) shall become exercisable within such period as the Board may determine following the date of such cessation. Subject to the sole discretion of the Board, a grantee shall not be regarded as ceasing to be a Participant if he ceases to hold a position of directorship or employment with our Company or a particular member of our Group but at the same time he takes up a different position of directorship or employment with our Company or another member of our Group, as the case may be.

In the event of a grantee who is not an employee or a director of our Company or a member of our Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such grantee within one month from the date of such cessation determine the period within which the option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(ii) Dismissal

In the event of a grantee ceasing to be a Participant by reason of termination of his employment or directorship on one or more grounds specified in paragraph (r)(vi) and the grantee has exercised the option in whole or in part pursuant to the Share Option Scheme but Shares have not been allotted to him as at the date of cessation, the grantee shall be deemed not to have so exercised such option and our Company shall return to the grantee the amount of the subscription price for the Shares paid in respect

of the purported exercise of such option. In addition, any options granted to such grantee which are unexercised as at the date he ceases to be a Participant will lapse automatically.

(l) Right on death

In the event of a grantee ceasing to be a Participant by reason of his death and none of the events which would be a ground for termination of his employment or directorship with our Company and/or any member of our Group under paragraph (r)(vi) arises, his legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent not already exercised) within the period of six months following his death provided that where any of the events set out in paragraphs (m), (n) and (o) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within the various periods respectively set out in such paragraphs.

(m) Rights on a general offer by way of takeover or by way of scheme of arrangement

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulations, becomes or is declared unconditional prior to the expiry date of the relevant option, the grantee shall be entitled to exercise the option in whole or in part (to the extent not already exercised) at any time until the earlier of: (i) the expiry date of the relevant option; and (ii) the last day of the period of one month after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(n) Rights on winding-up

In the event a notice is given by our Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and the grantees may at any time thereafter (but before such time as shall be notified by our Company being not less than 10 Business Days prior to the date of the proposed Shareholders' meeting) exercise the option, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(o) Rights on compromise or arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (m) above, between our Company and the Shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all the grantees who have options unexercised on the same day as our Company gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and the options

shall on such date become exercisable in whole or in part until the earlier of: (i) the expiry of two months after that date; and (ii) the date on which such compromise or arrangement is sanctioned by the Court and becomes effective. In the event such compromise or arrangement is sanctioned by the Court and becomes effective, our Company may require each grantee to transfer or otherwise deal with the Shares issued on exercise of the option pursuant to this paragraph (o) so as to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement and each grantee must transfer or deal with the Shares in accordance with the request of our Company.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment, or if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment, or if that date falls on a day when the register of our Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of our Company.

The options do not carry any right to vote in general meeting of our Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of our Company.

(q) Effect of alteration to capital

Subject to paragraph (d) above, in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of share capital of our Company (other than an issue of Shares as consideration in respect of a transaction) whilst an option remains outstanding in that it is granted and yet to be exercised (and has not lapsed or been cancelled), corresponding adjustments (if any) shall be made in the number of Shares subject to the Share Option Scheme, the number of Shares subject to outstanding options, the subscription price in relation to each outstanding option and/or the method of exercise of the options, provided that:

- (i) any such adjustments must give the grantee the same proportion of the issued share capital of our Company as that to which the grantee was entitled immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value; and
- (ii) notwithstanding paragraph (q)(i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjustment the earnings per share figures (referred to in

Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplementary Guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005 and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

Our Company shall engage its auditors or an independent financial adviser to certify in writing to the Board, either generally or as regards any particular grantee, that the adjustments made by our Company under this paragraph (q) satisfy the requirements set out in paragraphs (q)(i) and (q)(ii) above, and are in his opinion fair and reasonable and in compliance with the requirements under Rule 17.03(13) of the Listing Rules and the note thereto. The capacity and role of the independent financial adviser or the auditors of our Company pursuant to this paragraph is that of experts and not arbitrators and their confirmation shall (in the absence of manifest error) be final and binding on our Company and the grantees. The costs of independent financial adviser or the auditors of our Company shall be borne by our Company.

(r) Lapse of option

Without prejudice to the authority of the Board to provide for additional situations where an option shall lapse, an option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period (subject to the Share Option Scheme);
- (ii) the expiry of any of the periods referred to in paragraphs (k)(i), (l) or (n);
- (iii) the expiry of the period referred to in paragraph (m), provided that if a court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Shares in the offer, the relevant period within which options may be exercised shall not begin or continue to run (as the case may be) until the discharge of the order in question;
- (iv) subject to the scheme of arrangement (referred to in paragraph (o) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (o);
- (v) the date of commencement of the winding-up of our Company other than as contemplated under paragraph (n);
- (vi) the date on which the grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence imputing dishonesty, or any other ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or a member of our Group. A resolution of the Board to the effect that the employment or directorship of a grantee has or has not been terminated on one or more of the

grounds specified in this paragraph (r)(vi) shall be conclusive and binding on the grantee. Transfer of employment of a grantee from (A) one member of our Group to (B) another member of our Group shall not be considered a termination of employment;

- (vii) where the grantee commits a breach of paragraph (i), the date on which the Board shall exercise our Company's right to cancel the option; and
- (viii) subject to paragraphs (k) and (l), the date the grantee ceases to be a Participant by any other reason.

(s) Alteration of the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants unless with the prior sanction of a resolution of the Shareholders in general meeting. No alteration shall operate to affect adversely the terms of issue of any option granted to any Participant for acceptance prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Bye-laws or a variation of rights attached to the Shares. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must first be approved by the Shareholders in general meeting.

(t) Cancellation

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation, except that where the grantee is in breach of paragraph (i), the Board may cancel any outstanding option without the relevant grantee's agreement. For the avoidance of doubt, no consent is required to be given by the grantee where an option lapses in accordance with paragraph (r).

Where our Company cancels any options granted but not exercised and grants new options to the same grantee, such grant of new options may only be made under the Share Option Scheme if there is available unissued options (excluding cancelled options) within each of the 10% limit as referred to in paragraph (d) above.

(u) Termination of the Share Option Scheme

Our Company may, by ordinary resolution passed at a general meeting of Shareholders, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(v) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

(w) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect upon:

- (i) the passing of the resolution by the Shareholders to approve and adopt this Share Option Scheme, to authorise the Board to grant options at their absolute discretion under this Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options;
- (ii) the Listing Committee of the Stock Exchange granting the approval of listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date);
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the condition in paragraph (w)(ii) above is not satisfied on or before the date following six months after the date on which this Share Option Scheme is adopted, this Share Option Scheme shall terminate accordingly, and any option granted or agreed to be granted pursuant to this Share Option Scheme shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Share Option Scheme or any options granted thereunder.

(x) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the BVI, Bermuda, Hong Kong and the PRC.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance nor, to the best of our knowledge, is any

litigation, claim or arbitration of material importance pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The total fees payable by our Company to the Joint Sponsors to act as sponsors to our Company in connection with the Global Offering is approximately HK\$4.67 million.

4. Registration procedures

The register of members of our Company will be maintained in Bermuda by the Principal Share Registrar and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar and may not be lodged in Bermuda.

5. Taxation of holders of Share

(a) Bermuda

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfers of Shares.

(b) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(c) Consultation with professional adviser

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors, the Joint Sponsors, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

6. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in the paragraph headed "*Underwriting—Underwriting Arrangements and Expenses—Commission and Expenses*".

7. Preliminary expenses

The preliminary expenses incurred by our Company are estimated to be approximately US\$8,000 and have been paid by our Company.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted for cash at par or given nor are any proposed to be paid, allotted for cash at par or given to any promoters in connection with the Global Offering and the related transactions described in this document.

9. Qualification of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualification
Conyers Dill & Pearman	Legal adviser as to Bermuda laws
DBS Asia Capital Limited	Licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under SFO
Deloitte Touche Tohmatsu	Certified public accountants
HSBC Corporate Finance (Hong Kong) Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Global Law Office	Legal adviser as to PRC laws
J.P. Morgan Securities (Far East) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
WB Group	Traffic consultant

10. Consent of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or opinion and/or references to its name in the form and context in which they are respectively included.

11. Interests of experts in our Company

Save in connection with the Underwriting Agreements, none of the experts named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Reserves available for distribution

Our Company was incorporated in Bermuda and is an investment holding company. There were no reserves available for distribution to the Shareholders as of 31 December 2016.

14. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that:
 - (i) apart from a dividend of HK\$740.0 million declared by RKC to the Remaining RKI Group on 19 June 2017 to settle the outstanding current accounts between the Remaining RKI Group and the Group by way of set off against payment obligations of RKC, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial condition of our Group in the 12 months preceding the date of this prospectus.
- (c) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) We have no outstanding convertible debt securities.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

15. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

16. Particulars of the Selling Shareholder

Name:	New Select Global Limited (新選環球有限公司)
Place of incorporation:	British Virgin Islands
Registered office:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Number of Shares to be sold:	108,500,000 Shares (together with, where relevant, up to an additional 62,775,000 Shares which may be sold pursuant to any exercise of the Over-allotment Option)

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

1. copies of the **WHITE** Application Form, **YELLOW** Application Form, **GREEN** Application Form and **BLUE** Application Form;
2. the written consents referred to in the paragraph headed “*E. Other Information—10. Consent of experts*” in Appendix VI to this prospectus;
3. copies of the material contracts referred to in the paragraph headed “*B. Further Information about our Business—1. Summary of Material Contracts*” in Appendix VI to this prospectus; and
4. the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Bye-laws;
2. the Accountants’ Report on Historical Financial Information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of RKC and its subsidiaries for the three years ended 31 December 2016;
4. the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. the material contracts referred to in the paragraph headed “*B. Further Information about our Business—1. Summary of Material Contracts*” in Appendix VI to this prospectus;
6. the written consents referred to in the paragraph headed “*E. Other Information—10. Consent of experts*” in Appendix VI to this prospectus;
7. the service contracts with the executive Directors and the appointment letters with the independent non-executive Directors referred to in the paragraph headed “*C. Further Information about our Directors, Substantial Shareholders and Experts—1. Particulars of service contracts and letters of appointment*” in Appendix VI to this prospectus;
8. the legal opinion prepared by Global Law Office, the legal adviser to our Company as to PRC law, in respect of our Company and our subsidiaries in the PRC;
9. the letter of advice prepared by Conyers Dill & Pearman, our Company’s legal advisers on Bermuda law, summarising certain aspects of Bermuda company law referred to in Appendix IV to this prospectus;
10. the Bermuda Companies Act;

11. the traffic study reports prepared by WB Group, the texts of which are set out in Appendix III to this prospectus;
12. the rules of the Share Option Scheme; and
13. the statement of particulars of the Selling Shareholder.



勁投國際控股有限公司*

RKE International Holdings Limited