
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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RKE has not been and will not be registered under the U.S. Investment Company Act. The RKE 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 RKE Shares will be offered and sold in the United States or to U.S. persons outside the United States, in each case, only to qualified institutional buyers (as defined in Rule 144A) who are also qualified purchasers (as defined in Section 2(a)(51) of the U.S. Investment Company Act), 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 RKE Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

**ROAD KING INFRASTRUCTURE LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

**(1) MAJOR DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF THE EXPRESSWAY BUSINESS
OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
(2) ADOPTION OF RKE SHARE OPTION SCHEME
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee and the Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board to the Shareholders is set out on pages 7 to 33 of this circular.

A notice convening the special general meeting of Road King Infrastructure Limited to be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m., on Wednesday, 7 June 2017 is set out on pages 78 and 79 of this circular. A form of proxy for use at the general meeting is also enclosed with this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

18 May 2017

EXPECTED TIMETABLE

Set out below is the expected timetable for ascertaining eligibility for attending and voting at the SGM:

Despatch date of this circular, proxy form
and notice of the SGM Thursday, 18 May 2017

Latest time for lodging transfers of Shares
in respect of the SGM 4:30 p.m. on Thursday, 1 June 2017

Closure of register of members of the Company
for determining the eligibility of Shareholders to attend
and vote at the SGM Friday, 2 June 2017 to
Wednesday, 7 June 2017
(both dates inclusive)

Latest time for return of proxy forms in respect of the SGM 10:30 a.m. on Monday, 5 June 2017

SGM 10:30 a.m. on Wednesday, 7 June 2017

Register of members of the Company re-opens Thursday, 8 June 2017

All times refer to Hong Kong local time.

Please note that the above timetable is subject to change. If there are changes to the above timetable, the Company will publish an announcement as soon as practicable.

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DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

- “associates” has the meaning ascribed to it under the Listing Rules;
- “Assured Entitlement” means the entitlement of the RKI Qualifying 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 the Company on the Record Date;
- “Baojin Expressway” means National Expressway G18 Baoding-Tianjin Expressway, Hebei Province;
- “Baojin Expressway JV” means 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;
- “Beneficial RKI Shareholders” means any beneficial owner of Shares whose Shares are registered, as shown in the register of members of the Company, in the name of a registered Shareholder on the Record Date;
- “BLUE Application Form(s)” means the application form(s) to be issued and sent to RKI Qualifying Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering;
- “Board” means the board of Directors;
- “Business Day(s)” means a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, a Sunday or a public holiday in Hong Kong;
- “BVI” means the British Virgin Islands;
- “Capitalisation Issue” means the issue of new RKE Shares to the Selling Shareholder, subject to the Spin-off Condition and to be effected simultaneously with the completion of the Global Offering, by way of capitalisation of amounts standing to the credit of the share premium account of RKE, such RKE Shares ranking *pari passu* in all respects with the then existing RKE Shares and further details of which will be set out in the Prospectus;

DEFINITIONS

“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC;
“Changyi Expressway”	means National Expressway G5513 Changsha-Yiyang Expressway, Hunan Province;
“Changyi Expressway JV”	means 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 (Hengchang) 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;
“China” or “PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“close associates”	has the meaning ascribed to it under the Listing Rules;
“Company” or “RKI”	means Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	means the directors of the Company;
“Excluded Highway”	means Suzhou Highway;
“Expressway JV(s)”	means Baojin Expressway JV, Tangjin Expressway JV, Changyi Expressway JV, Longcheng Expressway JV and/or Machao Expressway JV, as applicable;
“GFA”	means gross floor area;
“Global Offering”	means the Hong Kong Public Offering and the International Offering (including the Preferential Offering);
“Group”	means the Company and its subsidiaries;

DEFINITIONS

“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKSCC”	means Hong Kong Securities Clearing Company Limited;
“Hong Kong” or “HK”	means the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Offer Shares”	means the RKE Shares to be initially offered by RKE for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the Prospectus);
“Hong Kong Public Offering”	means the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the Prospectus) at the Offer Price, on and subject to the terms and conditions described in the Prospectus and on the relevant application forms;
“Independent Board Committee”	means the independent board committee comprising three independent non-executive Directors constituted in accordance with the Listing Rules for the purposes described in “A. Introduction” in the “Letter from the Board”;
“Independent Financial Adviser”	means Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off;
“International Offer Shares”	means the RKE Shares to be offered by RKE for subscription and offered by the Selling Shareholder for sale pursuant to the International Offering together with, where relevant, any additional RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option (subject to adjustment as described in the Prospectus);
“International Offering”	means the offer of the International Offer Shares (a) in the United States or to U.S. persons outside the United States, 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;
“km”	means kilometre(s);
“Latest Practicable Date”	means 15 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Longcheng Expressway”	means Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian Expressway, Shanxi Province;

DEFINITIONS

“Longcheng Expressway JV”	means 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;
“Machao Expressway”	means Provincial Expressway S24 Ma’anshan-Chaohu, Anhui Province;
“Machao Expressway JV”	means 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 operates Machao Expressway;
“Offer Price”	means the final offer price per RKE Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fees) at which the RKE Shares are to be subscribed or purchased pursuant to the Global Offering, as described in the Prospectus;
“Over-allotment Option”	means the option which is expected to be granted to the international underwriters under the International Offering under which the joint global coordinators (on behalf of the international underwriters) may require the delivery of additional shares in aggregate of up to approximately 15% of the number of RKE Shares to be initially offered under the Global Offering;
“PN15”	means Practice Note 15 of the Listing Rules;
“Preferential Offering”	means the preferential offer to the RKI Qualifying Shareholders of the Reserved Shares as an Assured Entitlement out of the RKE Shares being offered under the International Offering at the Offer Price, subject to and in accordance with the terms and conditions of the Prospectus and the BLUE Application Form;
“Proposed Listing”	means the proposed listing of the RKE Shares on the Main Board of the Stock Exchange;
“Proposed Spin-off”	means the proposed spin-off of the RKE Group by the Company and the separate listing of the RKE Shares;
“Prospectus”	means the prospectus to be issued by RKE in relation to the Global Offering;
“QIB”	means a qualified institutional buyer within the meaning of Rule 144A;
“QP”	means a qualified purchaser as defined in Section 2(a)(51) of the U.S. Investment Company Act;
“Record Date”	means any Business Day determined and announced by the Company, being the record date for ascertaining Assured Entitlement;
“Regulation S”	means Regulation S under the U.S. Securities Act;
“Remaining RKI Group”	means the Group excluding the RKE Group;
“Reserved Shares”	means the RKE Shares available under the Global Offering being offered pursuant to the Preferential Offering, subject to re-allocation to the International Offering as described in the Prospectus;

DEFINITIONS

“RKC”	means Road King (China) Infrastructure Limited, a company incorporated in the BVI with limited liability;
“RKE”	means RKE International Holdings Limited, a company incorporated in Bermuda with limited liability;
“RKE Group”	means RKE and its subsidiaries upon the issue of the Prospectus;
“RKE Shares”	means ordinary share(s) of HK\$0.10 each in the share capital of RKE;
“RKE Share Option Scheme”	means the share option scheme proposed to be adopted by RKE which will take effect subject to, among others things, the commencement of dealings in the RKE Shares on the Main Board of the Stock Exchange;
“RKI Non-Qualifying Shareholder(s)”	means Shareholder(s) of the Company whose names appear on the register of members of the Company on the Record Date and whose addresses as shown in such register are in any of the Specified Territories;
“RKI Qualifying Shareholder(s)”	means Shareholder(s) of the Company, other than RKI Non-Qualifying Shareholder(s), whose names appear on the register of members of the Company on the Record Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Rule 144A”	means Rule 144A under the U.S. Securities Act;
“Selling Shareholder”	means New Select Global Limited, a wholly-owned subsidiary of the Company incorporated in the BVI, which legally and beneficially owns the entire issued share capital of RKE as at the Latest Practicable Date;
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	means the special general meeting of the Company to be convened and held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 7 June 2017 at 10:30 a.m.;
“Share(s)”	means ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	means the shareholder(s) of the Company;
“Specified Territories”	means in respect of the Preferential Offering, such 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”	means the conditions as described in “B. The Proposed Spin-off — Conditions of the Proposed Spin-off” in the “Letter from the Board”;
“sq. m.”	means square meters;

DEFINITIONS

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Suzhou Highway”	means Provincial Highway 343 Suzhou-Shanghai Hongqiao Airport Highway (Suzhou section);
“Tangjin Expressway”	means National Expressway G25 Tangshan-Tianjin Expressway, Hebei Province;
“Tangjin Expressway JV”	means 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;
“U.S.” or “United States”	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“U.S. Investment Company Act”	means the United States Investment Company Act of 1940;
“U.S. Securities Act”	means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“US\$”	means United States dollar(s), the lawful currency of the United States;
“Wai Kee”	means 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 Stock Exchange (stock code: 00610) and the controlling shareholder of the Company;
“%”	means per cent.

For the purpose of this circular, the exchange rate of RMB0.88548 to HK\$1.00 is used for currency translation. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate or at all.

For ease of reference, the English names of the PRC established companies or entities, individuals, laws or regulations are translation and/or transliteration of their Chinese names and have been included in this circular 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.

LETTER FROM THE BOARD



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

Executive Directors:

Zen Wei Pao, William (*Chairman*)
Zen Wei Peu, Derek
Ko Yuk Bing (*Deputy Chairman, Managing Director and
Chief Executive Officer*)
Fong Shiu Leung, Keter (*Finance Director*)

Non-executive Directors:

Lam Wai Hon, Patrick (*retiring as a Non-executive director at
the annual general meeting to be held on 18 May 2017*)
Mou Yong
Dong Fang

Independent Non-executive Directors:

Lau Sai Yung
Chow Ming Kuen, Joseph
Tse Chee On, Raymond
Wong Wai Ho
Zhang Yongliang

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

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

18 May 2017

To the Shareholders

Dear Sir/Madam

**(1) MAJOR DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF THE EXPRESSWAY BUSINESS
OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
AND
(2) ADOPTION OF RKE SHARE OPTION SCHEME**

A. INTRODUCTION

We refer to the announcement of the Company dated 7 April 2017 in respect of the Proposed Spin-off.

LETTER FROM THE BOARD

RKE submitted a listing application (Form A1) to the Stock Exchange on 7 April 2017 for the listing of, and permission to deal in, the RKE Shares. J.P. Morgan Securities (Far East) Limited, HSBC Corporate Finance (Hong Kong) Limited and DBS Asia Capital Limited have been appointed as joint sponsors of the Proposed Listing.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off by way of Global Offering is or are expected to be 25% or more but less than 75%, the Proposed Spin-off, if it proceeds, will constitute a major disposal for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. In accordance with the requirements of paragraph 3(e)(4) of PN15 and Rule 13.39(6) and (7) of the Listing Rules:

- (a) an Independent Board Committee comprising Mr. Lau Sai Yung, Mr. Tse Chee On, Raymond and Mr. Zhang Yongliang, all being independent non-executive Directors, has been established by the Company to consider the Proposed Spin-off, and to advise the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable, whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole and on how to vote at the SGM in respect of the ordinary resolution to approve the Proposed Spin-off, taking into account the recommendation of the Independent Financial Adviser; and
- (b) Altus Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote at the SGM in respect of the ordinary resolution to approve the Proposed Spin-off.

Mr. Wong Wai Ho, an independent non-executive Director, is not included in the Independent Board Committee because it is proposed that he will be appointed as an independent non-executive director of RKE. To avoid any conflict of interest following the Proposed Listing, Mr. Wong will resign from his office as an independent non-executive Director prior to the issue of the Prospectus.

Dr. Chow Ming Kuen, Joseph, an independent non-executive Director, is also not included in the Independent Board Committee to avoid any perceived conflict of interest because his spouse, namely Mrs. Chow Liang Shuk Yee, Selina, is proposed to be appointed as an independent non-executive director of RKE.

This circular provides the Shareholders with information on the background to, the reasons for, and the benefits of, the Proposed Spin-off (together with such other information relating to the Proposed Spin-off as required by the Listing Rules for a major disposal of the Company), the Preferential Offering, and the RKE Share Option Scheme proposed to be adopted by RKE. It also contains (i) the opinion of the Independent Board Committee on the terms of the Proposed Spin-off, which is contained in the “Letter from the Independent Board Committee” on pages 34 to 35 of this circular; (ii) the letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Shareholders regarding the terms of the Proposed Spin-off in the “Letter from the Independent Financial Adviser” on pages 36 to 58 of this circular; and (iii) the notice of the SGM at which an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, approve the Proposed Spin-off and the transactions related thereto.

LETTER FROM THE BOARD

The implementation of the Proposed Spin-off and the Global Offering is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied, including the approval of the Stock Exchange and the final decision of the Board, market conditions and other considerations. There is no certainty as to whether, and if so when, the Proposed Spin-off and the Global Offering will take place. The decision whether to proceed with the Proposed Spin-off will be at the discretion of the Directors and, when making the decision the Directors will take into account all factors and other considerations they consider relevant, including prevailing market conditions, the Offer Price that can be achieved and whether the Company's expected gain from the disposal and deemed disposal of its interests in RKE under the Global Offering will, in their view, maximise the benefits to the Company and the Shareholders. Accordingly, Shareholders, holders of other securities of the Group and potential investors in the Shares and other securities of the Group should exercise caution when dealing in or investing in the Shares or other securities of the Group and are recommended to consult their professional advisers if they are in any doubt about their positions.

This circular is being provided to you solely for your consideration of the matters being determined at the SGM and is not intended to, and does not, constitute an offer to sell or an invitation to or a solicitation of an offer to subscribe or buy any RKE Shares in connection with the Global Offering or otherwise. Any such offer or solicitation will be made solely through a prospectus or offering circular in compliance with applicable laws and any decision to purchase or subscribe for RKE Share in connection with the Global Offering or otherwise should be made solely on the basis of the information contained in the Prospectus or offering circular. Other than in Hong Kong, no action has been or will be taken in any jurisdiction that would permit a public offering of the RKE Shares to be offered in the Global Offering in any jurisdiction where action for that purpose is required, including but not limited to the United States.

B. THE PROPOSED SPIN-OFF

The Proposed Spin-off is expected to be effected by way of the Global Offering which will comprise the Hong Kong Public Offering and the International Offering, and will be accompanied by a separate listing of the RKE Shares on the Main Board of the Stock Exchange based on the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules. Upon the successful conclusion of the Global Offering, the RKE Shares will be listed on the Main Board of the Stock Exchange.

The final structure of the Proposed Spin-off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering and the International Offering will be decided by the Board and the board of directors of RKE. Taking into account the unaudited combined net assets of the RKE Group as at 31 December 2016 of approximately HK\$4,501.3 million and a dividend of HK\$740 million that is expected to be declared by RKC as part of the reorganisation to facilitate the set off against net amounts due from the Remaining RKI Group to the RKE Group, the Directors intend to proceed with the Proposed Spin-off only if the market capitalisation of the RKE immediately upon the Proposed Listing will exceed approximately HK\$5.0 billion.

The Global Offering is expected to comprise an offer of the Hong Kong Offer Shares, which is open to members of the public and institutional and professional investors in Hong Kong, and the International Offer Shares, which is selectively marketed to institutional and professional investors and other investors as described in the Prospectus.

Out of the RKE Shares to be made available for purchase or subscription under the International Offering, a portion of such RKE Shares will be made available to RKI Qualifying Shareholders for subscription under the Preferential Offering. Please refer to the section headed "Assured Entitlement" below for details of the Preferential Offering. It is also expected that the Over-allotment Option will be granted to the underwriters under the International Offering to require the delivery of additional shares in aggregate of up to approximately 15% of the RKE Shares to be initially offered under the Global Offering at the Offer Price to, among other things, cover over-allocations in the International Offering.

LETTER FROM THE BOARD

Subject to RKE raising a minimum of US\$200 million gross proceeds, the Global Offering is expected to comprise a proportion of sale shares from the Remaining RKI Group which is expected not to exceed approximately 35.7% of the total number of RKE Shares being made available under the Global Offering before the exercise of the Over-allotment Option. The proportion of RKE Shares being offered for subscription by RKE and those being offered for sale by the Remaining RKI Group will be decided by the Board and the board of RKE when the size of the Global Offering is determined.

On the basis of the above offering structure, immediately after the Proposed Spin-off, taking no account of any RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option and the RKE Shares which may fall to be issued upon the exercise of options granted under the RKE Share Option Scheme, RKE will have a public float of not less than 25% of its enlarged issued share capital. The new RKE Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all other RKE Shares then in issue.

The Proposed Spin-off is conditional on the conditions set out in the sub-section headed “Conditions of the Proposed Spin-off” below.

RKI will be subject to restrictions on disposal of the RKE Shares whereby, other than pursuant to the Global Offering, the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with a stabilising manager or any of its associates or any person acting for it, RKI shall not (i) in the period commencing on the date as specified in the Prospectus and ending on the date which is six months from the date of listing of the RKE Shares on the Main Board of the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of RKE which are shown by the Prospectus to be beneficially owned by it; and (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, 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 securities of RKE referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, RKI would cease to be entitled to exercise or control the exercise of 30% of the voting power at general meetings of RKE. As a result of such restriction, the Remaining RKI Group must retain its holding of RKE Shares to be held by it for at least the abovementioned periods.

The Shares will continue to be listed on the Main Board of the Stock Exchange after the implementation of the Proposed Spin-off. The listing of the RKE Shares on the Main Board of the Stock Exchange is conditional upon the fulfilment or waiver of the conditions stated in the sub-section headed “Conditions of the Proposed Spin-off” below. On 7 April 2017, RKE submitted a formal application to the Stock Exchange for the listing of, and permission to deal in, the RKE Shares in issue as at the date of the Prospectus, RKE Shares to be issued under the Global Offering (including the RKE Shares to be delivered upon the exercise of the Over-allotment Option), the Capitalisation Issue and the RKE Shares to be issued upon the exercise of the options that may be granted under the RKE Share Option Scheme, on the Main Board of the Stock Exchange.

RKI is required to comply with the requirements under PN15. The Directors confirm that RKI will comply with all the requirements of the Listing Rules in respect of the Proposed Spin-off, subject to the Shareholders passing an ordinary resolution at the SGM to approve the Proposed Spin-off.

Subject to the approval of the listing of, and granting of the permission to deal in, RKE Shares on the Main Board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the RKE Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of listing of the RKE Shares or such other date as may be 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.

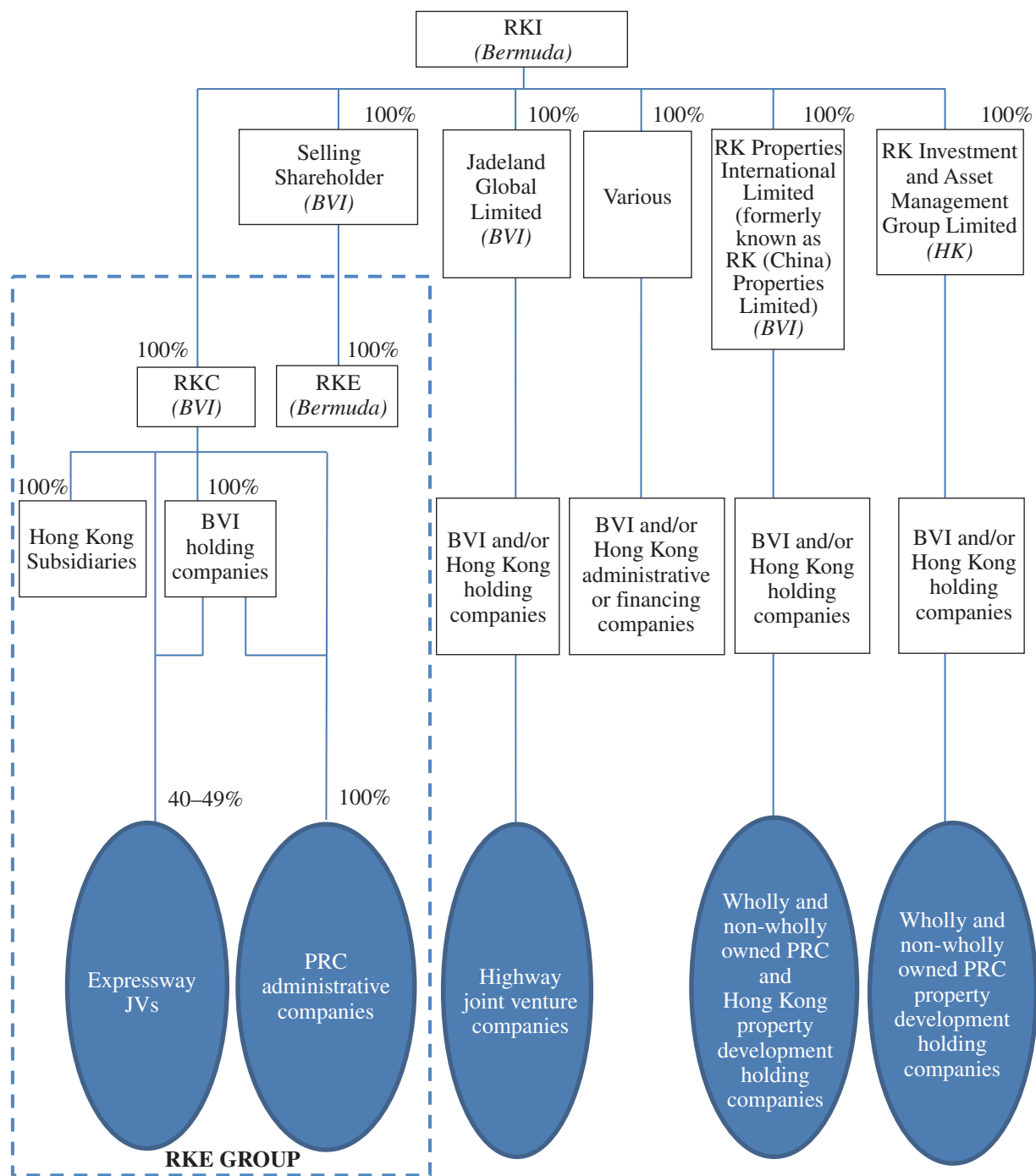
LETTER FROM THE BOARD

EFFECTS OF THE PROPOSED SPIN-OFF ON THE STRUCTURE OF THE GROUP

Structure of the Group prior to the Proposed Spin-off

As at the Latest Practicable Date, RKE was indirectly held as to 100% by RKI.

The following chart sets out the simplified corporate structure of the Group as at the Latest Practicable Date:



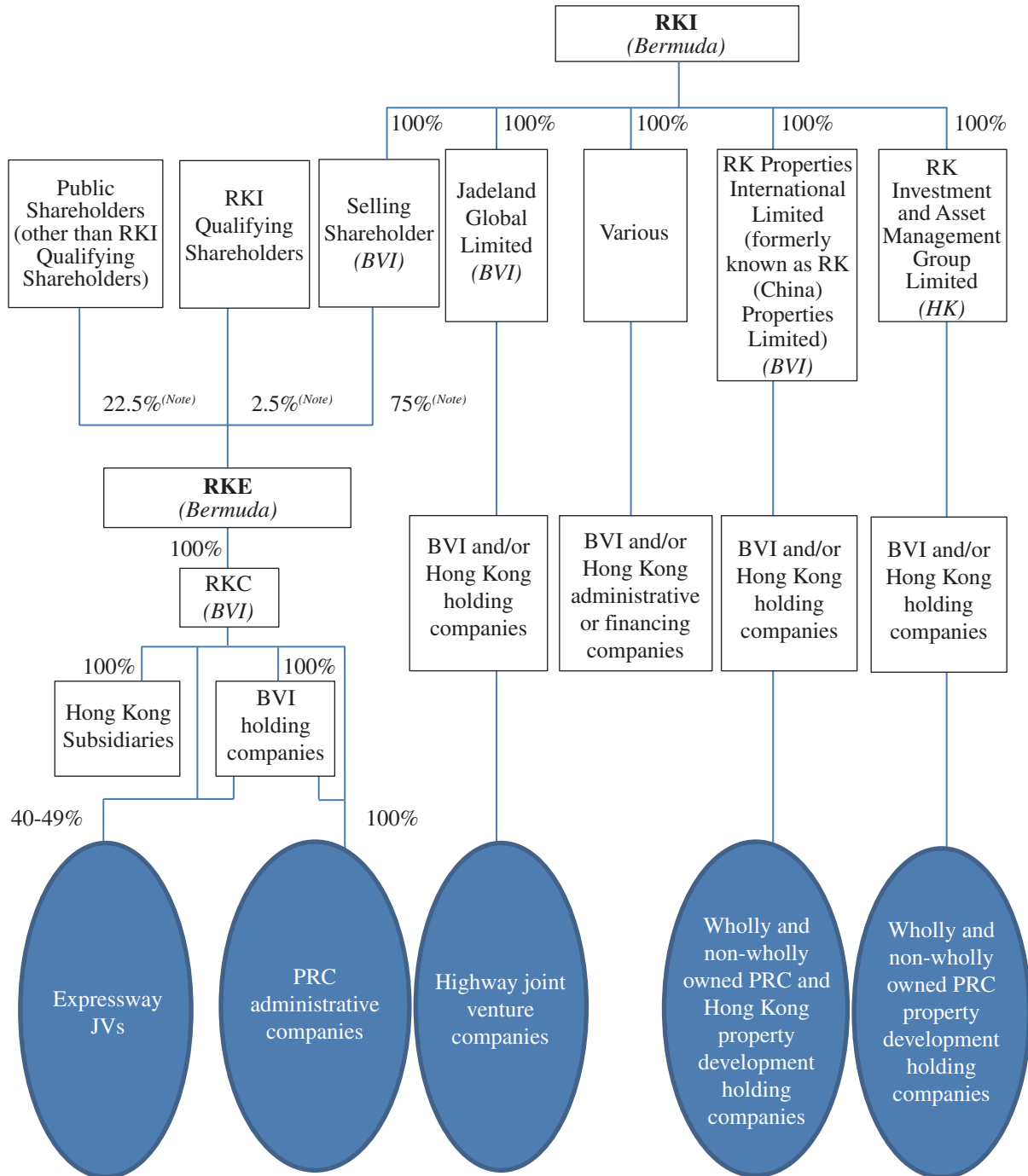
LETTER FROM THE BOARD

Structure of the Group upon completion of the Proposed Spin-off

Members of the RKE Group will undergo a corporate reorganisation prior to the Proposed Spin-off. Upon the completion of the Proposed Spin-off where at least 25% of the RKE Shares are expected to be offered pursuant to the Global Offering, taking no account of any RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option, RKI's equity interest in RKE will be reduced to a holding of not more than 75%. If the Over-allotment Option is exercised in full (and assuming that only RKE Shares to be held by the Remaining RKI Group, representing an aggregate of up to approximately 15% of the RKE Shares initially being offered under the Global Offering, will be sold pursuant to such exercise of it), RKI's equity interest in RKE could be reduced further, to a holding of not more than approximately 71%. RKE will remain as a subsidiary of RKI upon completion of the Proposed Spin-off.

LETTER FROM THE BOARD

The following chart sets out the simplified corporate structure of the Group immediately after the Proposed Spin-off (based on the assumptions above and as set out in the note below):



Note: The percentages of RKE Shares held by each of the Selling Shareholder, RKI Qualifying Shareholders and the public is based on the assumption that 25% of the RKE Shares are offered pursuant to the Global Offering (taking no account of any RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option). The percentage of RKE Shares held by RKI Qualifying Shareholders is based on the assumption that all RKE Shares offered under the Preferential Offering have been fully subscribed for by RKI Qualifying Shareholders.

LETTER FROM THE BOARD

OVERVIEW OF THE BUSINESS OF THE GROUP

RKI is an investment holding company whose shares are listed on the Stock Exchange since 4 July 1996. Through its subsidiaries, the principal activities of the Group are investment in, development, operation and management of property development and toll road projects. All of the Group's interest in expressways are held through the RKE Group (further information on which is set out below). The Remaining RKI Group holds interest in one toll road, being the Excluded Highway.

As of 31 December 2016, the Group held approximately 7.0 million sq.m. total GFA mainly concentrated in the Yangtze River Delta and Bohai Rim regions, at locations which are easily accessible from city centers, with a particular focus on residential projects and a target segment of first-time home buyers as well as those upgrading homes. In August 2016, the Group acquired a piece of land in Yuen Long District, Hong Kong with a total planned GFA of approximately 34,000 sq.m. for residential development and in February 2017, the Group and its joint venture partner jointly acquired the development right of Wong Chuk Hang Station Package One Property Development in Hong Kong with a total planned GFA of approximately 54,000 sq.m. for residential development.

During the years ended 31 December 2015 and 2016, the Group achieved property sales, including those of joint venture projects, of approximately RMB11,649.5 million and RMB18,683.2 million, respectively, including contracted sales of RMB10,408.4 million and RMB17,613.5 million, respectively, and outstanding subscribed sales of RMB1,241.1 million and RMB1,069.7 million, respectively, and had revenues from property development of approximately HK\$12,509.6 million and HK\$16,841.6 million, respectively.

In the three months ended 31 March 2017, the Group achieved property sales (including those of joint venture companies) of RMB8,992.2 million comprising contracted sales of RMB7,524.0 million and subscribed sales of RMB1,468.2 million.

Further financial information of the Group is set out in Appendix I of this circular.

OVERVIEW OF THE BUSINESS OF THE RKE GROUP

The principal activities of the RKE Group are investment in, and the development, operation and management of, expressway projects in the PRC.

The expressway portfolio

As of 31 December 2016, the RKE Group's expressway portfolio consisted of five expressway projects spanning approximately 340 km in total. Its expressways are located in four provinces across the PRC: Anhui, Hebei, Hunan and Shanxi. Its five expressways include:

— **National Expressway G18 Baoding-Tianjin (“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 G18 Rongcheng-Wuhai

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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.

The total investment amount of Baojin Expressway JV was approximately RMB2,400.0 million, of which the RKE Group contributed approximately RMB960.0 million. The RKE Group has 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. The RKE Group 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 Baojin Expressway JV's board approvals, the RKE Group aims to have the Baojin Expressway JV concession period extended should Baojin Expressway JV invest in the upgrade.

— National Expressway G25 Tangshan-Tianjin (“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 Beijing-Taipei Expressway, two of the seven radial expressways from the capital, Beijing.

The total investment amount of the Tangjin Expressway JV was approximately RMB1,775.4 million, of which the RKE Group contributed approximately RMB798.9 million. The RKE Group has 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. The RKE Group 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 in 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 Tangjin Expressway JV's board approvals, the RKE Group aims to have the Tangjin Expressway JV concession period extended should Tangjin Expressway JV invest in the upgrade.

— National Expressway G5513 Changsha-Yiyang (“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.

LETTER FROM THE BOARD

The total investment amount of the Changyi Expressway JV was approximately RMB1,432.6 million, of which the RKE Group contributed approximately RMB618.4 million. The RKE Group has 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. The RKE Group received cash distributions, including repayment of shareholders' loans, of approximately HK\$192.6 million, HK\$214.2 million and HK\$214.9 million from this Expressway JV in 2014, 2015 and 2016 respectively. The term of this Expressway JV is 27 years beginning in October 1997. Changyi Expressway is fully operational and has been collecting tolls since 1998. The RKE Group is currently working with the joint venture partner of the Changyi Expressway JV to look into the possibility of widening Changyi Expressway. Subject to the government and the Changyi Expressway JV's board approvals, the RKE Group aims to have the Changyi Expressway JV concession period extended should Changyi Expressway JV invest in the upgrade.

— **Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian (“Longcheng Expressway”)**

Longcheng Expressway, which is approximately 72 km long, is situated in Shanxi Province. It is located in the southeast of Taiyuan City and a key component of the Beijing-Kunming Expressway, one of the seven radial expressways from the capital, 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 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 Longcheng Expressway JV was approximately RMB4,247.7 million, of which the RKE Group contributed RMB660.2 million. The RKE Group has a 45% equity interest in this project. The operation of Longcheng Expressway commenced in July 2012. The 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. The RKE Group did not receive any cash distributions from the project in 2014, 2015 or 2016. The term of this Expressway JV is 30 years beginning in July 2012. Longcheng Expressway is fully operational and has been collecting tolls since 2012.

— **Provincial Expressway S24 Ma'anshan-Chaohu (“Machao Expressway”)**

Machao Expressway, which is approximately 36 km long, is situated in Anhui Province. It connects with Hefei-Chaohu-Wuhu Expressway to the west and with Ma'anshan Yangtze River Bridge and 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.

The total investment amount of the Machao Expressway JV was approximately RMB2,360.1 million, of which the RKE Group contributed RMB580.3 million. The RKE Group has a 49% equity interest in this project. Machao Expressway recorded 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. The RKE Group did not receive any cash distribution from the project in 2014, 2015 or 2016. The term of this Expressway JV is 30 years beginning in December 2013. Machao Expressway is fully operational and has been collecting tolls since the end of 2013 and the RKE Group completed the acquisition of its interest in Machao Expressway JV in June 2014.

LETTER FROM THE BOARD

Financial Information of the RKE Group

As of 31 December 2016, the unaudited combined net assets of the RKE Group were approximately HK\$4,501.3 million. Its investments in expressway projects are held through RKE's wholly-owned subsidiaries through Expressway JVs together with their PRC joint venture partners.

For the years ended 31 December 2015 and 2016 respectively, the total traffic volume recorded by expressways that the RKE Group has interests in was approximately 66.6 million vehicles and 74.0 million vehicles, respectively; the RKE Group's unaudited proportionate share of toll receipts (calculated based on the profit/cash sharing ratios specified in the relevant Expressway JV contracts for the relevant periods) was approximately HK\$1,064.7 million and HK\$1,210.7 million, respectively; and the cash distributions the RKE Group received from the Expressway JVs, including the repayment of shareholders' loans of HK\$55.6 million and HK\$46.3 million during these periods, were approximately HK\$471.2 million and HK\$550.0 million, respectively.

The unaudited combined net profits (both before and after taxation) attributable to RKE for the years ended 31 December 2015 and 2016 were as follows:

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before taxation from continuing operations (<i>Note</i>)	276,731	412,287
Net profit after taxation from continuing operations (<i>Note</i>)	250,524	387,857
Net profit after taxation (<i>Note</i>)	211,696	356,600

Note: In September 2016, as part of the reorganisation in preparation of the Proposed Listing, the group of companies holding the interest in the highway business was transferred to the Remaining RKI Group and is presented as discontinued operation of the RKE Group. Such discontinued operation recorded losses before taxation of HK\$36,731,000 and HK\$30,153,000 and losses after taxation of HK\$38,828,000 and HK\$31,257,000, for the years ended 31 December 2015 and for the period from 1 January 2016 to 28 September 2016 respectively.

THE REMAINING RKI GROUP AND THE RKE GROUP FOLLOWING THE SPIN-OFF

(1) Delineation of businesses

The principal activities of the RKE Group are investment in, and development, operation and management of, expressway projects.

The Remaining RKI Group will principally be engaged in the investment in, 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 in Jiangsu Province, which connects Suzhou to the Shanghai Hongqiao Airport.

The Directors believe that there is minimal competition between the Excluded Highway and the expressways that the RKE Group has interests in, because none of the expressways that the RKE Group has interests in operates in Jiangsu Province where the Excluded Highway is located.

LETTER FROM THE BOARD

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. The Remaining RKI Group has retained its interest in the Excluded Highway because its strategy is to have the RKE Group focus on its 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.

The Company will as part of the Proposed Spin-off undertake and covenant with RKE pursuant to a deed of non-competition in favour of RKE for itself and as trustee for each of its subsidiaries from time to time (the "**Deed of Non-competition**") to avoid any potential conflict of interest between the Remaining RKI Group and RKE. Pursuant to the Deed of Non-competition, save for the Permitted Business (as defined below) and save as a controlling shareholder of RKE, the Company shall not, and shall procure that its close associates (other than the RKE 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 development, operation and management of, expressway projects (the "**Spin-off Business**").

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: (i) participation or engagement in any business undertaken by the Remaining RKI Group in connection with the Excluded Highway; (ii) any investment in a direct or indirect shareholding interest of not more than 5% (individually or taken together with respective close associates) of any company whose shares are listed on a recognised stock exchange anywhere in the world and which engages in any Spin-off Business; or (iii) 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 a wholly-owned subsidiary of such company acting as the issuer of such securities).

The undertakings by the Company under the Deed of Non-competition will terminate upon the earliest of the following to occur:

- the date on which the RKE Shares cease to be listed on the Stock Exchange;
- the date on which the RKE Group ceases to carry out the Spin-off Business; and
- the date on which the Company directly or indirectly through its close associates together holds less than 30% of the issued RKE Shares.

Having considered that (i) the property development business of the Remaining RKI Group and the expressway business of the RKE Group are distinct business operations; (ii) there is minimal competition between the expressways that the RKE Group has 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 (iii) the overwhelming majority of the expressway management team is retained by the RKE Group, the Directors do not foresee any material competition or conflict of interest between the Remaining RKI Group and the RKE Group following the Proposed Spin-off.

LETTER FROM THE BOARD

(2) Management independence of the Remaining RKI Group and the RKE Group

The Board consists of twelve directors, comprising four executive Directors, three non-executive directors and five independent non-executive Directors.

Apart from (i) Mr. Zen Wei Pao, William, the Chairman and an executive Director, who will be the Chairman of the RKE board of directors and an executive director of RKE following the Proposed Spin-off, (ii) Mr. Wong Wai Ho, an independent non-executive Director, who will resign from his directorship with the Company upon the issue by RKE of its prospectus for the Proposed Spin-off, and (iii) Mr. Fong Shiu Leung, Keter, an executive Director and the company secretary of the Company, who will be the company secretary of RKE but will not assume any management functions in the RKE Group, none of the other Directors sits on the board of RKE or holds any position or assumes any management functions in the RKE Group.

Mr. Zen Wei Pao, William will continue to provide strategic leadership to the RKI Board that comprises four executive Directors, three non-executive Directors and five independent non-executive Directors as at the Latest Practicable Date in development of new non-toll road investment opportunities, supported by his fellow executive Directors and a sizeable senior management team. As RKE's Chairman and executive director, he will be setting its strategic vision, direction and goals, while daily operations and management is principally overseen and managed by RKE's other two executive directors. Mr. Zen is also the Chairman and an executive director of the Company's controlling shareholder Wai Kee. His 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 the Board's past experience, the Board believes that Mr. Zen will dedicate adequate time and attention to his role as RKI's Chairman and executive Director. As he is one of four executive Directors, and one of eleven Directors following the Proposed Spin-off, the Board also believes that Mr. Zen will not have undue influence over the Board.

Save as disclosed in the section headed "Directors' Interests" in Appendix III to this Circular, none of the directors or proposed directors of RKE is interested in any business which competes with the Remaining RKI Group's business. The Company has also established an audit committee, a nomination committee and a remuneration committee and to promote a high level of corporate governance and address any potential conflict of interests. The Remaining RKI Group will also have its own team of full time senior management and employees so that it can operate independently from the RKE Group.

Each of RKI Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of RKI and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest in respect of any matters, the interested Director(s) will abstain from voting at the relevant board meetings of RKI in respect of such matters and shall not be counted in the quorum. Accordingly, where the RKI Board is considering a resolution in which the RKE Group has an interest, Mr. Zen Wei Pao, William will be required to abstain from voting on such resolution.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company and manage the business of the Remaining RKI Group independently from the RKE Group after the Proposed Spin-off.

LETTER FROM THE BOARD

(3) Financial Independence of the Remaining RKI Group and the RKE Group

The Remaining RKI Group and the RKE Group each has its 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, amounts due from the Remaining RKI Group to the RKE Group were in the sum of approximately HK\$747.1 million, which were unsecured and interest free. Such amounts are expected to be fully settled by the Proposed Listing. Certain offshore incorporated members of the Remaining RKI Group including RKI (together with all offshore incorporated members of the RKE Group) 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 utilised loan balance of which 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, certain members of the Remaining RKI Group (together with an offshore incorporated member of the RKE Group) guaranteed the payment obligations under a club loan of a member of the Remaining RKI Group in a principal amount of US\$280.0 million, of which US\$260.0 million was applied towards refinancing loans of the Remaining RKI Group. These guarantees will be released upon the Proposed Spin-off, in accordance with the terms of the relevant notes and perpetual capital securities or otherwise through refinancing of the relevant bank borrowings.

Following the RKE Group's 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 its PRC joint venture 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 the RKE Group's 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 that guarantee in anticipation of the Proposed Spin-off, the lending banks appear reluctant to consider any replacement guarantee or security. Accordingly, the Machao Guarantees will not be released on the Proposed Listing. The Board does not believe that the Group's inability to secure the release or replacement of the Machao Guarantees affects the financial independence of the RKE Group for the following reasons:

- the Board believes, based on the RKE Group's 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 issue of creditability of the RKE 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 three years ended 31 December 2016, the RKE Group has consistently been providing substantial cash advances to the Remaining RKI Group, such that net amounts due from the Remaining RKI Group to RKE Group amounted to HK\$262.1 million, HK\$248.6 million and HK\$747.1 million as of 31 December 2014, 2015 and 2016 respectively;
- the RKE Group's strong cash position can be further demonstrated by the fact that the RKE Group has been able to provide its pro rata share of the financing needs of the 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 the RKE Group; and

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- 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 the RKE Group's ability to raise funds independently, it has 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 of principal amount of HK\$750.0 million for working capital purposes and US\$25.0 million drawable within 12 months of Listing for future acquisition, respectively.

Based on the above, the Board considers that the Remaining RKE Group and the RKE Group is each able to conduct its respective business independently from each other from a financial perspective and is able to maintain financial independence following the Proposed Spin-off.

(4) Operational independence of the Remaining RKE Group and the RKE Group

Each of the Remaining RKE Group and the RKE Group has its own teams specialising in its business and project development, assessment and management, staffing, finance and accounting or internal audit functions and does not rely on the other in these respective areas, which have been in operation and are expected to continue to operate separately and independently from each other. Each group has sufficient operating capacity in terms of capital, equipment and employees to operate its business independently. Each of the Remaining RKE Group and the RKE Group also has independent access to suppliers and customers and an independent management team to handle its day-to-day operations.

(5) Future compliance with the Listing Rules

The RKE Group invests in and manages the expressways it has interest in through cooperative joint ventures between RKE's subsidiaries and the relevant PRC joint venture partners, and such joint ventures do not constitute subsidiaries of RKE 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 Proposed Listing and application of the Listing Rules following the Proposed Listing, however, the existing and future joint ventures of RKE 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 RKE's sphere of activities for the purposes of Rule 13.09(1) of the Listing Rules that relates to the disclosure of inside information.

To the extent that transactions of the Expressway JVs of the RKE Group or with the joint venture partners of the Expressway JVs or their associates constitute transactions or connected transactions of RKE under Chapter 14 or 14A of the Listing Rules, they will also constitute transactions of the Company and be subject to disclosure and/or shareholders' approval requirements based on "percentage ratio tests" set out in Listing Rules and as modified in accordance with listing decision HKEx-LD106-1 or otherwise disclosed in the Prospectus.

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) 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 RKE or any of its subsidiaries as well as the subsidiaries of the Expressway JVs; and (iv) PN15 of the Listing Rules will apply to proposals to effect the separate

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listing on the Stock Exchange or elsewhere of assets or businesses wholly or partly within the RKE Group, including the operations conducted by the Expressway JVs.

Following Listing, RKE will include in its annual reports the disclosure of financial information with respect to the Expressway JVs of the type included in the Prospectus both to provide additional information to investors and to facilitate computation of the “percentage ratio tests” as modified in accordance with listing decision HKEx-LD106-1 or otherwise disclosed in the Prospectus.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Proposed Spin-off will allow the Remaining RKE Group to focus on investment in, and development, operation and management of, property in the PRC, Hong Kong and elsewhere and to continue to manage the Excluded Highway until the expiry of the operating rights of that toll road or their earlier termination. RKE will focus on investment in, and 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 of each of the Remaining RKE Group and the RKE Group respectively.

In terms of profile, the Proposed Spin-off will enable each of the Company and RKE to establish its own profile thereby attracting different investors — the Remaining RKE Group being a property developer and the RKE Group being an investor in expressway operations. In addition, the sale of RKE Shares contemplated under the Proposed Spin-off will also allow the Company to realise part of its investment over the years in the RKE Group at market price and to apply the proceeds (after expenses) for general corporate purposes.

With a separate listing platform, each group will have greater flexibility in deploying its financial and other resources derived from its operations and generate greater shareholder value, and it will also make it easier for the two groups to seek further capital in the future as separately listed groups.

Upon the Proposed Listing, RKE will continue to be a subsidiary of the Company, Since the Company will remain as a controlling shareholder and the holding company of RKE, the Company will continue to benefit from the business prospects and results of the RKE Group.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

The following estimates the financial effect on RKE as a result of the Proposed Spin-off and is for illustration purposes only.

Net asset value

The audited consolidated net assets after deducting non-controlling interests of the Group was approximately HK\$13,291.8 million as at 31 December 2016.

At the minimum market capitalisation of approximately HK\$5.0 billion before the exercise of the Over-allotment Option

Assuming that the Global Offering is made on the basis of the minimum market capitalisation of approximately HK\$5.0 billion, raising proceeds net of expenses of approximately HK\$1,253.8 million (before the exercise of the Over-allotment Option) and accordingly no RKE Shares being offered for sale by RKE under the Global Offering, the unaudited combined net asset value of the RKE Group is expected to increase by approximately HK\$1,253.8 million.

LETTER FROM THE BOARD

At the maximum market capitalisation of approximately HK\$9.6 billion before the exercise of the Over-allotment Option

Assuming that the Global Offering is made on the basis of the maximum market capitalisation of approximately HK\$9.6 billion (being the top end of the range considered reasonable by the independent financial adviser as set out in the “Letter from The Independent Financial Adviser”, raising proceeds net of expenses of approximately HK\$2,317.8 million before the exercise of the Over-allotment Option) and a maximum of 35.7% of the RKE Shares comprised in the Global Offering being offered for sale by RKI under the Global Offering, the unaudited combined net asset value of the RKE Group is expected to increase by approximately HK\$1,475.0 million.

Based on the assumptions above and had the Global Offering been completed on 31 December 2016, the Board expects that RKI will recognise a minimum surplus resulting from the Proposed Spin-off of approximately HK\$1,008.7 million. As the estimated increase in surplus is based on assumptions including those described above and has not taken into account the financial position of the RKE Group after 31 December 2016, the actual surplus to be recognised by the Group may be different from the above estimation. Given that RKE will remain a subsidiary of RKI following the completion of the Global Offering, any increase in surplus will be recognised as reserve movements of RKI and the net assets (after deducting minority interests) of the Group are therefore expected to increase by the same amount.

Earnings

The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among others, the return generated from the proceeds raised from the Global Offering as well as the growth of the business operations of RKE Group.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 December 2015 and 2016, the audited consolidated profits before taxation of the RKI Group were approximately HK\$1,982.5 million and approximately HK\$3,245.3 million, respectively. For each of the two years ended 31 December 2015 and 2016, the audited consolidated profits after taxation and minority interests of the Group were approximately HK\$820.0 million and approximately HK\$1,250.1 million, respectively.

Based on the unaudited combined financial statements of the RKE Group for each of the two years ended 31 December 2015 and 2016, the unaudited combined profits before taxation from continuing operations of the RKE Group were approximately HK\$276.7 million and approximately HK\$412.3 million, respectively. For each of the two years ended 31 December 2015 and 2016, the unaudited combined profits after taxation from continuing operations of the RKE Group were approximately HK\$250.5 million and approximately HK\$387.9 million, respectively.

Details of the audited combined results of the RKE Group for each of the three years ended 31 December 2014, 2015 and 2016 will be included in the Prospectus.

Following completion of the Proposed Spin-off, the Group’s earnings contributed by the RKE Group are expected to be reduced as RKI’s interest in RKE will be reduced from 100% down to a holding of not more than approximately 75% (assuming the Over-allotment Option is not exercised) and RKE will continue to be a subsidiary of the Group. Consequently, the financial results of the RKE Group will continue to be consolidated into the accounts of the Group. As a result of the Proposed Spin-off whereby part of the RKE Group is disposed of by the Group, minority interests of the Group are expected to increase.

LETTER FROM THE BOARD

CONDITIONS OF THE PROPOSED SPIN-OFF

The Proposed Spin-off will be conditional upon, among other things, the following:

- (a) the approval of the Listing Committee of the Stock Exchange in relation to the Proposed Listing and permission to deal in on the Main Board of the Stock Exchange, the RKE Shares in issue and any RKE Shares which may be issued in relation to the Proposed Spin-off;
- (b) approval by the Shareholders of the Proposed Spin-off at the SGM;
- (c) the terms and structure of the Global Offering being agreed among the Company, RKE, the Selling Shareholder, and joint sponsors of the listing application;
- (e) the obligations of the underwriters under the underwriting agreements to be entered into between, among others, RKI, RKE and the underwriters in respect of the Global Offering becoming unconditional in all respects and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the dates and times to be specified therein; and
- (f) market conditions and other considerations.

If any of the above conditions is not fulfilled, the Proposed Spin-off and the Proposed Listing will not proceed and an announcement will be published by RKI as soon as practicable.

INTENDED USE OF PROCEEDS

Set out below is, for illustration purposes only, the expected net proceeds from the Proposed Spin-off to the Selling Shareholder and RKE based on the assumptions below.

At the minimum market capitalisation of approximately HK\$5.0 billion before the exercise of the Over-allotment Option (note 1)

	<i>HK\$'million</i>
Gross Proceeds	
— To The Remaining RKI Group	0
— To RKE	1,324.4
Less estimated expenses to be incurred for the Proposed Spin-off by	
— The Remaining RKI Group	0
— RKE	70.6
Estimated net proceeds for the Proposed Spin-off to	
— The Remaining RKI Group	0
— RKE	1,253.8

LETTER FROM THE BOARD

At the maximum market capitalisation of approximately HK\$9.6 billion before the exercise of the Over-allotment Option (notes 1 & 2)

	<i>HK\$'million</i>
Gross Proceeds	
— To The Remaining RKI Group	860.0
— To RKE	1,550.0
Less estimated expenses to be incurred for the Proposed Spin-off by	
— The Remaining RKI Group	17.2
— RKE	75.0
Estimated net proceeds for the Proposed Spin-off to	
— The Remaining RKI Group	842.8
— RKE	1,475.0

Notes:

1. Assumes that the Over-allotment Option is not exercised.
2. Assumes that RKE raises the minimum gross proceeds of US\$200 million and the remainder of the Global Offering is offered by way of the sale of RKE Shares by the Remaining RKI Group. The proportion of RKE Shares offered for subscription and those being offered for sale will be determined prior to the issue of the Prospectus.

The Company currently intends to use the net proceeds from the Global Offering payable to the Remaining RKI Group mainly for general corporate purposes.

RKE currently intends to use the net proceeds from the Global Offering in the following manner:

- approximately 90% of the total net proceeds to the RKE Group from the Global Offering will be used to acquire new expressway projects and planned expansion of existing expressway projects in a 60:40 ratio as between amounts to be applied towards acquisitions and expansion respectively. The RKE Group will focus on acquiring expressway projects in the PRC, where it believes expressways may become more attractive due to the increased traffic flow as a result of the “One Belt, One Road” initiative. The RKE Group 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, the RKE Group had not identified the projects that it intends to acquire; and
- approximately 10% of the total net proceeds to the RKE Group from the Global Offering will be used to fund working capital of the RKE Group and for general corporate purposes.

If the net proceeds to be used to acquire new expressway projects and planned expansions of existing expressway projects are still not deployed by the time of RKE’s first distribution following the Proposed Listing, unused net proceeds of up to HK\$370.0 million may be used to fund distributions to holders of RKE Shares.

LETTER FROM THE BOARD

The preliminary percentages above are for illustration purpose only and the final percentages will be set out in the Prospectus.

Underwriting agreements and stock borrowing arrangement

In connection with the Proposed Spin-off, the Company and the Selling Shareholder will enter into underwriting agreements relating to the Global Offering with RKE, the joint sponsors of the Proposed Listing and the underwriters and the joint global coordinators of the Global Offering. In connection with the Proposed Spin-off and the Global Offering, the Company and the Selling Shareholder may also enter into cornerstone agreement(s) with selected third party investors. In addition, the Selling Shareholder may enter into a stock borrowing arrangement for stabilisation purposes.

Further details of the underwriting agreements, the cornerstone agreement(s) and the stock borrowing arrangement (if any) will be set out in the Prospectus.

ASSURED ENTITLEMENT

Shareholders are reminded that this circular is not intended to and does not constitute an offer or an invitation to apply for their Assured Entitlement under the Preferential Offering. Such offer or invitation will only be made through the Prospectus and the information below in relation to the Preferential Offering is purely for general information purposes only and may be subject to change. Shareholders should refer to the Prospectus for details of the offer and the invitation to them under the Preferential Offering.

Further announcement on the timing of the Preferential Offering and further information on the basis of the Assured Entitlement will be made by the Company separately.

Proposed terms of the Preferential Offering

In order to enable the 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 RKE Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, it is expected that an aggregate of 10% of the RKE Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised), will be offered to RKI Qualifying Shareholders as an Assured Entitlement. The Reserved Shares is expected to be offered out of the International Offer Shares under the International Offering and are not subject to reallocation.

RKI Qualifying Shareholders should note that their Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 1,000 RKE Shares. No odd lot matching services will be provided. Furthermore, the Reserved Shares allocated to each RKI Qualifying 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.

LETTER FROM THE BOARD

The Assured Entitlements of RKI Qualifying Shareholders to Reserved Shares are not transferable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Basis of Allocation for Applications for Reserved Shares

It is currently proposed that RKI Qualifying Shareholders will be able to 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 RKI 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 RKI Qualifying Shareholder applies for a number of Reserved Shares which is greater than the RKI Qualifying 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 RKI Qualifying 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.

RKI Qualifying Shareholders (other than HKSCC Nominees Limited) 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 Assured Entitlement not taken up by the RKI Qualifying Shareholders (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full 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 RKE Shares remaining after satisfying the excess applications, such number of odd lot RKE 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 RKE Shares.

Save for the above, it is currently proposed that the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

LETTER FROM THE BOARD

Shareholders whose Shares are held by a nominee company should note that the Company will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders whose Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Shareholders whose 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 Shares in the name of the beneficial owner prior to the Record Date.

Applications by RKI Qualifying Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on a BLUE Application Form, it is proposed that RKI Qualifying Shareholders will be entitled to make one application for Hong Kong Offer Shares in respect of which RKI Qualifying Shareholders will receive no preference as to entitlement or allocation.

RKI Qualifying Shareholders and RKI Non-Qualifying Shareholders

Only Shareholders whose names appear on the register of members of the Company on the Record Date and who are not RKI Non-Qualifying Shareholders will be entitled to subscribe for the Reserved Shares under the Preferential Offering.

RKI Non-Qualifying Shareholders are those Shareholders with registered addresses in jurisdictions outside Hong Kong on the Record Date who the directors of the Company and RKE, 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 Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of the Company and RKE will make 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 Shareholders in the Specified Territories. Having considered the circumstances, the Directors will consider whether it is necessary or expedient to restrict the ability of the 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 the Prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which RKE and/or the Shareholders in the Specified Territories 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.

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 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 RKI Qualifying 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.

LETTER FROM THE BOARD

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 RKE 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 RKE 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 the Prospectus or the BLUE Application Form, RKE reserves the right to permit any Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if RKE, 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 the Prospectus or the BLUE Application Form, RKE reserves the right not to allot any Reserved Shares if it believes that by accepting the application, RKE 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 the Prospectus and the BLUE Application Forms

It is proposed that a BLUE Application Form will be despatched to all RKI Qualifying Shareholders to their address recorded on the register of members of the Company at 4:30 p.m. on the Record Date. In addition, RKI Qualifying Shareholders will receive a copy of the Prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under the Company’s corporate communications policy.

RKI Qualifying Shareholders will also be able to obtain a printed copy of the Prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the joint global coordinators as set out in the Prospectus.

LETTER FROM THE BOARD

Application Procedures

Further details on the procedures for application under and the terms and conditions of the Preferential Offering will be set out in the Prospectus and on the BLUE Application Forms to be despatched to the RKI Qualifying Shareholders.

RKE SHARE OPTION SCHEME

It is proposed that RKE will adopt its own share option scheme. The purpose of the RKE Share Option Scheme is to enable RKE to grant options to selected participants as incentives or rewards for their contribution to the RKE Group. It will thus enable RKE to reward its directors and employees and the directors and employees of its subsidiaries and other selected participants for their contributions to the RKE Group and to motivate them to contribute to the development of the RKE Group.

The RKE Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules. As the directors of RKE are entitled to determine any performance targets and minimum holding period which apply to an option on a case by case basis, and fix the subscription price, it is expected that grantees of an option will have an incentive to contribute to the development of the RKE Group.

Pursuant to Note (1) of Rule 17.03(3) of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes must not in aggregate exceed 10% (the “**General Scheme Limit**”) of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme.

Taking into consideration the fact that (i) the RKE Share Option Scheme will not become effective until (and unless there is) the Proposed Listing and the RKE Share Option Scheme will lapse if Proposed Listing does not take place; (ii) the significant difference of the number of issued shares of RKE as at the date of SGM and that upon the date of the Proposed Listing, it is impracticable to set the General Scheme Limit of the RKE Share Option Scheme with reference to the number of RKE Shares as at the date of SGM. The Company has therefore applied for and the Stock Exchange has granted a waiver from strict compliance with the requirement under Note (1) to Rule 17.03(3) of the Listing Rules that the General Scheme Limit be based on the total number of RKE Shares in issue at the time when dealings in the RKE Shares first commence on the Stock Exchange.

A summary of the principal terms of the RKE Share Option Scheme is set out in Appendix II to this circular. The adoption of the RKE Share Option Scheme is conditional on (i) the Shareholders passing an ordinary resolution at the SGM to approve the RKE Share Option Scheme and the sole shareholder of RKE (being a member of the Remaining RKI Group) passing an ordinary resolution to approve and adopt the RKE Share Option Scheme; (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of RKE Shares to be issued pursuant to the exercise of any options which may be granted under the RKE Share Option Scheme; and (iii) the commencement of dealings in the RKE Shares on the Main Board of the Stock Exchange.

LETTER FROM THE BOARD

The Directors consider it inappropriate to disclose the value of options which may be granted under the RKE Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of an option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no RKE options have been granted as at the Latest Practicable Date, certain variables are not available for calculating the value of the RKE options. The Directors and the directors of RKE believe that any calculation of the value of the RKE options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

LISTING RULES IMPLICATIONS

Under the current structure of the Proposed Spin-off and taking no account of any RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option, the Company's indirect interest in RKE will initially be reduced from 100% down to a holding of not more than 75% immediately following implementation of the Proposed Spin-off, and will be further reduced to a holding of not more than approximately 71% if the Over-allotment Option is exercised in full (and assuming that only RKE Shares to be held by the Remaining RKI Group, representing an aggregate of up to approximately 15% of the RKE Shares initially being offered under the Global Offering, will be sold pursuant to such exercise of it). The Proposed Spin-off (taking into account any RKE Shares which may be delivered pursuant to the exercise of the Over-allotment Option) will constitute a disposal and deemed disposal under Rule 14.29 of the Listing Rules. Given the market capitalisation of the Company as at the Latest Practicable Date, the minimum market capitalisation required under Rule 8.05(3) of the Listing Rules and the minimum reduction of shareholding interest in RKE stated above, one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off by way of Global Offering is or are expected to be 25% or more but less than 75%, the Proposed Spin-off, if it proceeds, will constitute a major disposal of RKE under Chapter 14 of the Listing Rules. Approval from the Shareholders for the Proposed Spin-off is also required under PN15. Upon the Proposed Listing, RKE will continue to be a subsidiary of RKE.

In addition, the RKE Share Option Scheme will also be subject to the approval of the Shareholders under Chapter 17 of the Listing Rules. The RKE Share Option Scheme will be adopted after obtaining the Shareholders' approval and before the Proposed Listing of the Company.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017 (both dates inclusive) (or such other date(s) as the Board may determine and announce) for the purpose of determining the eligibility of Shareholders to attend and vote at the SGM. No transfer of Shares may be registered during that period. In order for Shareholders to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong by no later than 4:30 p.m. on Thursday, 1 June 2017 (or such later date as the Board may determine and announce) and all documents for the exercise of share options under the share option scheme of the Company duly accompanied by the relevant exercise notices must be lodged with the Company by no later than 4:30 p.m. on Thursday, 1 June 2017 (or such later date as the Board may determine and announce).

LETTER FROM THE BOARD

SGM

As no Shareholder has a material interest in the Proposed Spin-off different from other Shareholders, all Shareholders are entitled to vote on the ordinary resolutions to approve the Proposed Spin-off and the adoption of the RKE Share Option Scheme at the SGM.

A notice convening the SGM to be held on Wednesday, 7 June 2017 at 10:30 a.m. at Suite 501, 5th Floor, Tower 6, the Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong is set out on pages 78 to 79 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit it together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of RKI's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

VOTING RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed adoption of the RKE Share Option Scheme is fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, they recommend the Shareholders to vote in favour of the ordinary resolution (i.e. Resolution number 2) to approve the adoption of the RKE Share Option Scheme as set out in the notice of SGM on pages 78 to 79 of this circular.

An Independent Board Committee has been formed to advise the Shareholders in connection with the Proposed Spin-off. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders on the same. The Independent Financial Adviser considers that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable as far as the Company and the Shareholders are concerned. Accordingly, the Independent Financial Adviser advises the Independent Board Committee to recommend, and the Independent Board Committee itself recommends, the Shareholders to vote in favour of the resolution (i.e. Resolution number 1) in relation to the Proposed Spin-off. The letter from the Independent Financial Adviser containing its advice in relation to the Proposed Spin-off, together with the factors and reasons it considered in arriving at its opinion, is set out on pages 36 to 58 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution (i.e. Resolution number 1) to approve the Proposed Spin-off as set out in the notice of SGM on pages 78 to 79 of this circular.

The implementation of the Proposed Spin-off and the Global Offering is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied, including the approval of the Stock Exchange and final decision of the Board, market conditions and other considerations. There is no certainty as to whether, and if so when, the Proposed Spin-off and the Global Offering will take place.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of
Road King Infrastructure Limited
Zen Wei Pao, William
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Shareholders regarding the Proposed Spin-off.



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

18 May 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING
OF THE EXPRESSWAY BUSINESS OF THE GROUP
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

We refer to the circular of the Company to the Shareholders dated 18 May 2017 (the “**Circular**”). Terms and definitions used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders on whether the terms of the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Altus Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders on the terms of the Proposed Spin-off as set out on pages 36 to 58 of the Circular and the letter from the Board set out on pages 7 to 33 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution (i.e. Resolution number 1) in relation to the Proposed Spin-off to be proposed at the SGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Road King Infrastructure Limited

Lau Sai Yung
*Independent Non-executive
Director*

Tse Chee On, Raymond
*Independent Non-executive
Director*

Zhang Yongliang
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

18 May 2017

To the Independent Board Committee and the Shareholders

Road King Infrastructure Limited

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

Dear Sir or Madam,

**MAJOR DISPOSAL IN RELATION TO
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE EXPRESSWAY BUSINESS OF THE GROUP
ON
THE MAIN BOARD OF THE STOCK EXCHANGE
OF HONG KONG LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off. Details of the Proposed Spin-off are set out in the “Letter from the Board” contained in the circular of the Company dated 18 May 2017 (the “**Circular**”), of which this letter (the “**Letter**”) forms part. Terms used in this Letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 April 2017, a listing application (Form A1) was submitted to the Stock Exchange for the listing of, and permission to deal in, the RKE Shares on the Main Board of the Stock Exchange. The Proposed Spin-off is expected to be effected by way of a global offering, and will be accompanied by a separate listing of the RKE Shares on the Main Board of the Stock Exchange.

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LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Proposed Spin-off by way of Global Offering is or are expected to be 25.0% or more but less than 75.0%, the Proposed Spin-off, if it proceeds, will constitute a major disposal for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Lau Sai Yung, Mr. Tse Chee On, Raymond and Mr. Zhang Yongliang, all being independent non-executive Directors, has been established to consider the Proposed Spin-off and to give advice and recommendation to the Shareholders as to (i) whether the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Shareholders should vote in respect of the resolution relating to the Proposed Spin-off to be proposed at the SGM.

As the Independent Financial Adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Shareholders should vote in respect of the resolution relating to the Proposed Spin-off to be proposed at the SGM.

We have no, and have not had any, relationships or interests in the Company or any other parties that could have affected our independence as Independent Financial Adviser for the Company. We have also not acted as Independent Financial Adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Proposed Spin-off is at market level and not conditional upon successful passing of the resolution to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others: (i) the redacted form of the application proof of the listing document of the Proposed Listing dated 10 April 2017 with regards to RKE (“**Application Proof**”) set out on the Stock Exchange's website¹; (ii) the annual report of the Company for each of the year ended 31 December 2015 and 2016; and (iii) other information as set out in the Circular and the Company's announcement dated 7 April 2017. We have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors, the management of the Company and RKE (the “**Management**”). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

¹ <http://www.hkexnews.hk/APP/SEHK/2017/2017040701/Documents/SEHK201704100011.pdf>

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We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions, and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors, and the Management have been reasonably made after due and careful enquiry and have relied on such statements, information, opinions, and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background of the Proposed Spin-off

1.1 Business and financial information of the Group

RKI is a listed investment holding company on the Stock Exchange since 4 July 1996. The Group is principally engaged in investment in, and development, operation and management of property development and toll road projects. Apart from the Excluded Highway as disclosed in the “Letter from the Board” of the Circular, all of the Group’s interest in expressways are held through the RKE Group.

Set out below a summary of the financial results of the Group for the years ended 31 December 2014, 2015 and 2016 as extracted from the Group’s annual report for each of the year ended 31 December 2015 (the “**2015 Annual Report**”) and 2016 (the “**2016 Annual Report**”) respectively.

	For the year ended 31 December		
	2014	2015	2016
	HK\$’000	HK\$’000	HK\$’000
	(audited)	(audited)	(audited)
Revenue	12,730,104	12,509,646	16,841,585
Gross profit	3,334,069	2,882,996	4,222,067
Net profit	1,029,383	828,310	1,373,596
Profit attributable to owners of the Company	1,005,018	820,005	1,250,075
Segment profit			
— Property development and investment	1,061,033	822,582	1,132,118
— Toll road	118,980	211,696	333,122

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	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Total asset	42,483,789	40,056,307	50,400,131
Total liabilities	28,431,237	26,080,440	36,167,503
Net assets	14,052,552	13,975,867	14,232,628
Current assets	35,306,391	31,068,403	41,048,193
— <i>Inventory of properties</i>	28,446,105	25,247,436	26,283,708
— <i>Cash and cash equivalent</i>	3,724,192	3,071,723	8,048,817
Current liabilities	18,028,637	18,087,764	23,710,747
— <i>Deposits from pre-sale of properties</i>	5,606,260	4,548,201	8,747,284
— <i>Bank and other borrowings</i>	4,788,420	6,224,230	5,847,427
Net current assets	17,277,754	12,980,639	17,337,446
Gross gearing ratio (<i>Note 1</i>)	102%	96%	123%
Net gearing ratio (<i>Note 2</i>)	74%	73%	66%
Interest coverage (<i>Note 3</i>)	14.04	10.93	10.85

Source: 2015 Annual Report and 2016 Annual Report

Notes:

1. Gross gearing ratio represents the total interest bearing borrowings (excluding loans from non-controlling interests of subsidiaries) to the total equity.
2. Net gearing ratio represents the difference of Group's total interest bearing borrowings (excluding loans from non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) to the total equity.
3. Interest coverage ratio represents the Groups' earnings before interest and tax divided by interest expenses

For year ended 31 December 2015

The revenue of the Group for the year ended 31 December 2015 amounted to approximately HK\$12.5 billion, representing a mild decrease of approximately 1.7% as compared to the revenue of approximately HK\$12.7 billion for the previous year. The decrease in revenue was mainly attributable to the fall in sale of properties which was adversely impacted by lower than expected economic growth rate in China for 2015. For the year ended 31 December 2015, the Group's net profit also decreased by approximately 19.5% to approximately HK\$828.3 million as compared to the previous year. The decrease in net profit was primarily due to an exchange loss and related differences of approximately HK\$330.0 million, arising from the depreciation of RMB.

The Group recorded net assets of approximately HK\$14.1 billion and HK\$14.0 billion as at 31 December 2014 and 2015 respectively, which was comparable due to the combined effects of (i) the decrease in inventory of properties by 11.2%; and (ii) the decrease of deposits from pre-sale of properties by 18.9%. It is also noted that the Group's net current assets dropped by approximately 24.9% from approximately HK\$17.9 billion as at 31 December 2014 to approximately HK\$13.0 billion as at 31 December 2015. The decrease was mainly driven by approximately 30.0% increase in the Group's bank and other borrowings (due within 1 year) as at 31 December 2015 as compared to the previous year.

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For year ended 31 December 2016

The revenue of the Group for the year ended 31 December 2016 amounted to approximately HK\$16.8 billion, representing a significant increase of approximately 34.6% as compared to the revenue of approximately HK\$12.5 billion for the previous year. The increase in revenue was mainly driven by (i) improving property market sentiment; and (ii) implementation of various policies such as reducing interest rates and deposit reserve ratio and loosening austerity measures for the property market in the first three quarters of 2016 by the central and local governments of the PRC.

For the year ended 31 December 2016, the Group also recorded net profit of approximately HK\$1.4 billion, representing a significant increase of approximately 65.8% as compared to the previous year. The increase in net profit was attributable to (i) the increase in revenue as abovementioned; and (ii) lower net loss of exchange and related differences of approximately HK\$144.3 million (2015: HK\$330.0 million).

The Group's net assets and net current assets as at 31 December 2016 amounted to HK\$14.2 billion and HK\$17.3 billion respectively, representing increases of approximately 1.8% and 33.6% as compared to the previous year. It is noted that the increases were primarily contributed by (i) the increase of approximately 4.1% in inventory of properties; and (ii) the increase of approximately 162.0% in cash and cash equivalent, and partially offset by the increase of approximately 92.3% in deposits from pre-sale of properties.

For more details about the Group's financial information, please refer to Appendix I to the Circular.

Outlook of the Group

According to the 2016 Annual Report, notwithstanding the PRC economy is experiencing a downward pressure, it still maintained an overall growth. The Group expects the government will continue to maintain the stability of the properties industry through its policies and implement specific austerity measures in different regions. In light of this, the Group is optimistic about the outlook of the PRC's property market, and will continue to (i) adhere to its strategy for regional exploitation; (ii) adopt an operating strategy which will strike a balance between profits and sales volume; (iii) develop market-oriented products through a well-developed managerial system; (iv) enhance the value-added services of property management; and (v) improve products and services quality as well as brand recognition.

Meanwhile, we also noted that the Group will also continue to work closely with its business partners to seek for better development opportunities. Having considered the Group's market position and well-developed operation team which has provided a solid foundation for the continuous expansion of its property business in the PRC, the Management believes the Group will continue to capture new opportunities for developing its property business in Hong Kong.

1.2 Business and financial information of the RKE Group

As described in the Application Proof, RKE Group is one of the leading expressway investors and operators in the PRC with over 20 years of experience of operation in the toll road industry. The principal activities of the RKE Group are investment in, and development, operation and management of, expressway projects in the PRC.

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As of 31 December 2016, the RKE Group's expressway portfolio, spanning a total of 340.0 km, consisted of five expressway projects, namely Baojin Expressway, Tangjin Expressway, Changyi Expressway, Longcheng Expressway and Machao Expressway. They are located in Hebei province, Hunan province, Shanxi province and Anhui province. While the RKE Group's investments in expressways are held via its wholly-owned subsidiaries in the form of Expressway JVs with their respective Expressway JV Partners, the RKE Group is directly involved in the management of the five expressways and focuses on maintaining operational and cost effectiveness of the five expressway's business operations. For more details regarding each RKE Group's expressway projects, please refer to the "Letter from the Board" of the Circular.

Set out below are highlights of the financial results of the RKE Group for the years ended 31 December 2014, 2015 and 2016 as extracted from the Application Proof.

	For the year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue (<i>Note 1</i>)	925,715	1,064,721	1,210,678
Net profit before taxation	214,193	276,731	412,287
Net profit	118,980	211,696	356,600
Total traffic volume (<i>million vehicles</i>)	55.6	66.6	74.0
	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Total asset	5,292,934	4,962,822	4,536,326
Total liabilities	477,130	495,047	35,040
Net assets	4,815,804	4,467,775	4,501,286
Current assets	1,080,843	1,184,675	1,219,126
— <i>Amount due from a fellow subsidiary</i>	645,789	711,437	628,206
— <i>Bank balances and cash</i>	101,439	156,986	343,028
Current liabilities	434,601	468,142	12,840
— <i>Amount due to ultimate holding company</i>	383,733	462,873	0
— <i>Other payables and accruals</i>	4,409	4,806	12,840
Net current assets	646,242	716,533	1,206,286
EBITDA margin (<i>Note 2</i>)	83.0%	82.1%	83.8%
Return on net assets (<i>Note 3</i>)	6.8%	9.2%	15.1%
Total debt to total assets (<i>Note 4</i>)	41.2%	42.2%	42.3%

Source: RKI

Notes:

- The revenue represents the aggregate of the RKE Group's proportionate share of the individual Expressway JVs for the respective indicated period.

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2. RKE Group's aggregated proportionate EBITDA margin represents the RKE Group's aggregated proportionate EBITDA from the Expressway JVs for the year divided by the RKE Group's aggregated proportionate toll revenue of the Expressway JVs for that year multiplied by 100%
3. RKE Group's aggregated proportionate return on net assets represents the RKE Group's share of results of joint ventures for the year divided by the RKE Group's aggregated proportionate net assets of the Expressway JVs at the end of that year multiplied by 100%
4. RKE Group's aggregated proportionate total debt to total assets represents the RKE Group's aggregated proportionate total debt of the Expressway JVs at the end of the year divided by the RKE Group's aggregated proportionate total assets of the Expressway JVs at the end of that year multiplied by 100%. Total debt includes bank borrowings and loans from joint venture partner(s).

For year ended 31 December 2015

The revenue of the RKE Group for the year ended 31 December 2015 amounted to approximately HK\$1.1 billion, representing an increase of approximately 15.0% as compared to the revenue of approximately HK\$925.7 million for the previous year. The increase in net profit was mainly attributable to the general increases in the average daily traffic flow for the expressways managed by the Expressway JVs. In particular, the average increases of the traffic flows were driven by (i) the diversion of traffic from nearby expressways (under major repair and closure arising from an accident to Baojin Expressway and Tangjin Expressway); (ii) the economic growth in the respective region for Changyi Expressway; (iii) the diversion of traffic due to government restrictions on the use of a nearby competing road by medium to heavy trucks for Longcheng Expressway; and (iv) the organic growth in traffic flow for Machao Expressway.

The RKE Group's net current assets increased by approximately 10.9%, from HK\$646.2 million as at 31 December 2014 to HK\$716.5 million as at 31 December 2015. It is noted that the increase in net current assets was primarily due to (i) an increase of approximately 10.2% in the amounts due from fellow subsidiaries as a result of resource allocations among different entities within the RKE Group; (ii) an increase of approximately 54.8% in the RKE Group's bank balances and cash arising from the increased cash distributions from the Expressway JVs and proceeds from the sale of its disposed business; and (iii) a decrease of approximately HK\$46.5 million in the amount due to a joint venture as a result of the repayment to the joint venture.

For year ended 31 December 2016

The revenue of the RKE Group for the year ended 31 December 2016 amounted to approximately HK\$1.2 billion, representing a significant increase of approximately 13.7% as compared to the revenue of approximately HK\$1.1 billion for the previous year. The increase in revenue was primarily attributable to the increased average daily traffic flow on Baojin, Changyi, Longcheng and Machao Expressways given the economic growth in their respective regions.

The RKE Group's net current assets increased by approximately 68.4% from HK\$716.5 million as at 31 December 2015 to HK\$1.2 billion as at 31 December 2016. The increase was primarily contributed by (i) the decrease of approximately HK\$462.9 million in the amount due to the ultimate holding company, RKE, after the repayment of such amount to RKE; (ii) the increase in the amount due from RKE due to its advances to RKE; and (iii) increase of approximately 118.5% in bank balances and cash given there was no declaration and payment of dividends as it was previously paid in 2015.

For more details about the Group's financial information, please refer to Appendix I to the Circular.

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Outlook of the RKE Group

According to the Management and as disclosed in the Application Proof, the expressways business of the RKE Group is dependent on the traffic flows which will be heavily influenced by socio-economic factors in the regions where the expressways are located. Having considered (i) the consistent growth in the GDP and population in China, in particular Hebei, Hunan, Shanxi, and Anhui provinces where the RKE's expressways are located; (ii) the significant increase in the vehicles sales and production in China for the past nine years; and (iii) the extensive experience of RKE Group in expressways business for over the past two decades, the Management is of the view that the RKE would continue to generate steady cash flows in the future, and in turn, grow the business steadily.

2. Reasons for and benefits of the Proposed Spin-off

As illustrated in the "Letter from the Board" of the Circular, we noted that the Board is of the view that the Proposed Spin-off and the Listing will be beneficial to both the Company and RKE Group for the following reasons:

- i. The Proposed Spin-off will enable the Remaining RKI Group and RKE Group to adopt different business strategies in order to better suit their businesses. In this respect, with clearer segregation of roles and business delineation as discussed under section headed "3.3 Business delineation" of this Letter, the Board is of the view that a more defined business focus and allocation of resources will enhance the management team's ability to (i) explore and capture opportunities specific to the business of each entities respectively; and (ii) respond to market changes, thereby improving the competitiveness of both businesses.
- ii. The Proposed Spin-off will increase the operational and financial transparency of the Company's and RKE Group's businesses and allow each of them to establish its own profile. The Board believes that such segregation of profile will enable different investors, potential customers, suppliers, and business partners to appraise and assess the performance and potential of the two entities more efficiently, and in turn, allow both groups to target their respective investors effectively.
- iii. The Board is of the view that the sale of RKE Shares contemplated under the Proposed Spin-off will also allow the Remaining RKI Group to realise part of the Company's investment in the RKE Group over the years and to apply the proceeds (after expenses) for general corporate purposes.
- iv. The Proposed Spin-off will enable Remaining RKI Group and RKE Group to establish its own capital raising platform under two separate listing status, which will in turn provide greater flexibility to both groups in deploying its financial and other resources derived from its respective operations. In this respect, Board consider such flexibility could (i) enhance the capital structure of both groups; and (ii) optimise cost of capital, thereby generating greater shareholders' value.

Having taken into account the fact that RKE will remain as a subsidiary of RKI upon completion of the Proposed Spin-off and the Proposed Spin-off is expected to (i) enable both management teams to better concentrate on the respective businesses, thereby improving the competitiveness of each entity; (ii) enhance investors' ability to appraise separately the value of the two business, thereby enabling the Company and RKE Group to more effectively target their respective investors; (iii) allow the Remaining RKI Group to realise part of its investment and utilise such resources to concentrate on its property development business;

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and (iv) provide greater financial flexibility to both groups, we concur with the Directors that the Proposed Spin-off is in the interests of the Company and Shareholders as a whole, and the Company will continue to benefit from the business prospects and performance of the RKE Group after the Proposed Listing.

3. The Proposed Spin-off

The Proposed Spin-off is expected to be effected by way of the Global Offering which will comprise the Hong Kong Public Offering and the International Offering (including the Preferential Offering) based on the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules. Upon the successful conclusion of the Global Offering, the RKE Shares will be listed on the Main Board of the Stock Exchange.

In this respect, it is noted that the listing of the RKE Shares on the Main Board of the Stock Exchange is conditional upon the fulfilment or waiver of the conditions as stated in the section headed “6. Conditions of the Proposed Spin-off” of this Letter. Upon completion of the Proposed Spin-off, the Shares will continue to be listed on the Main Board of the Stock Exchange, and the Remaining RKE Group will be subject to restrictions on disposal of the RKE Shares as described in the “Letter from the Board” of the Circular.

3.1 Structure of the Proposed Spin-off

The final structure of the Proposed Spin-off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering and the International Offering will be decided by the Board and the board of directors of RKE.

The Global Offering is expected to comprise an offer of Hong Kong Offer Shares, which is open to members of the public and institutional and professional investors in Hong Kong, and International Offer Shares, which is selectively marketed to institutional and professional investors and other investors. Taking into account the unaudited combined net assets of the RKE Group as at 31 December 2016 of approximately HK\$4,501.3 million and a dividend of HK\$740.0 million that is expected to be declared by RKE as part of the reorganisation to facilitate the set off against net amounts due from the Remaining RKE Group to the RKE Group, the Directors intend to proceed with the Proposed Spin-off only if the market capitalisation of the RKE Group upon Listing will exceed approximately HK\$5.0 billion. Out of the RKE Shares to be made available for purchase or subscription under the International Offering, a portion of such RKE Shares will be offered to RKE Qualifying Shareholders under the Preferential Offering. For more details about the Preferential Offering, please refer to the section headed “3.8 Preferential Offering” of this Letter.

Subject to RKE raising a minimum of US\$200.0 million gross proceeds, the Global Offering is expected to comprise a proportion of sale shares from the Remaining RKE Group which is expected not to exceed approximately 35.7% of the total number of RKE Shares being made available under the Global Offering before the exercise of the Over-allotment Option. The proportion of RKE Shares being offered for subscription by RKE and those being offered for sale by the Remaining RKE Group will be decided by this Board and the board of RKE when the size of the Global Offering is determined.

Based on the offering structure above and not taking into account any exercise of the Over-allotment Option, we note that RKE will have a public float of not less than 25% of its enlarged issued share capital, resulting in a dilution effect on the RKE shareholdings as illustrated below given some offer shares would have been sold by the Selling Shareholder to the public immediately after the Proposed Spin-off. The new RKE Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all other RKE Shares then in issue.

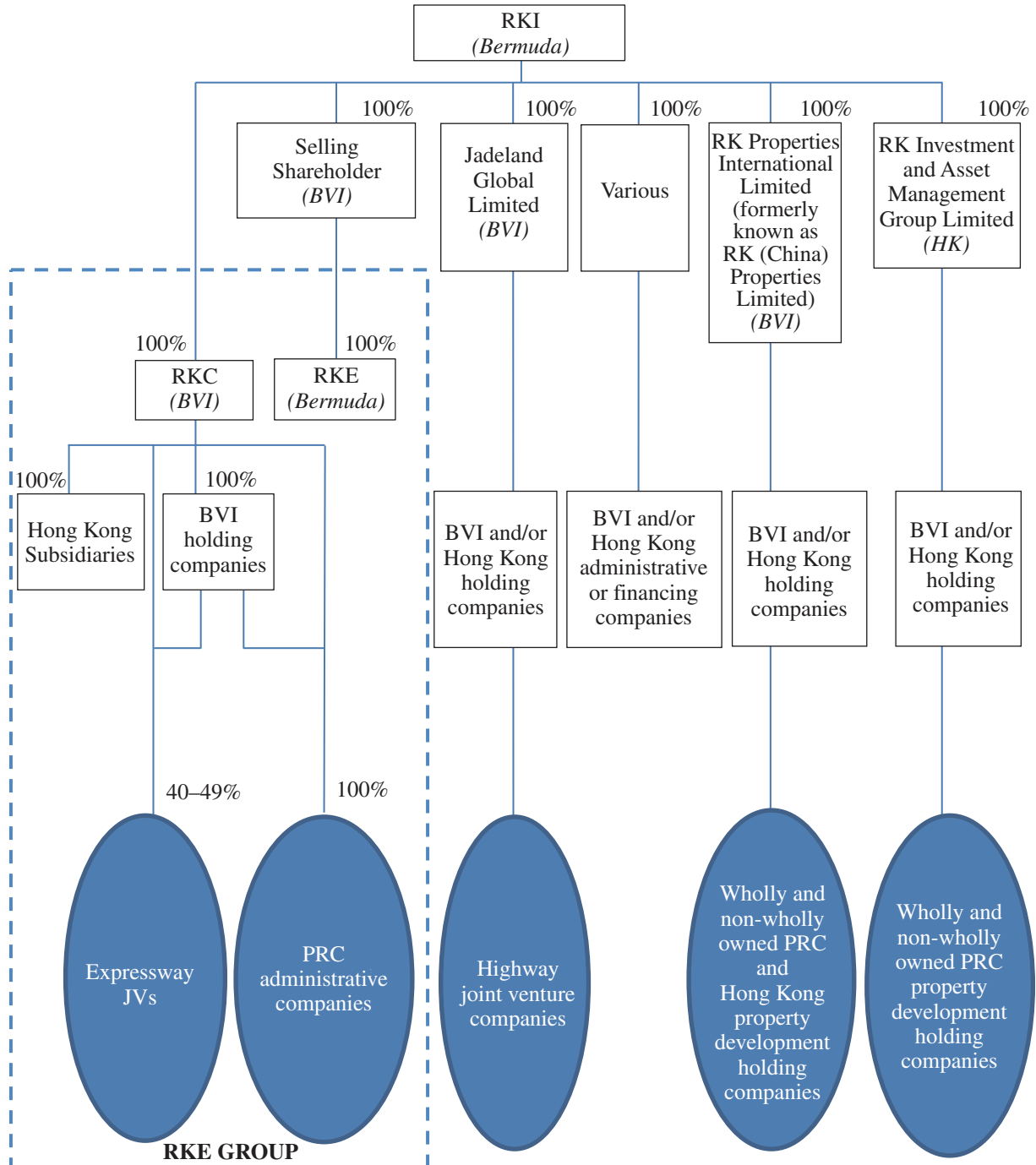
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3.2 Shareholding effects of the Proposed Spin-off

Set out below are the illustrative corporate and shareholding structure of the Group (including brief particulars of each of subsidiaries) prior to the Proposed Spin-off and after the completion of the Proposed Spin-off:

Corporate and shareholding structure prior to the Reorganisation and the Proposed Spin-off

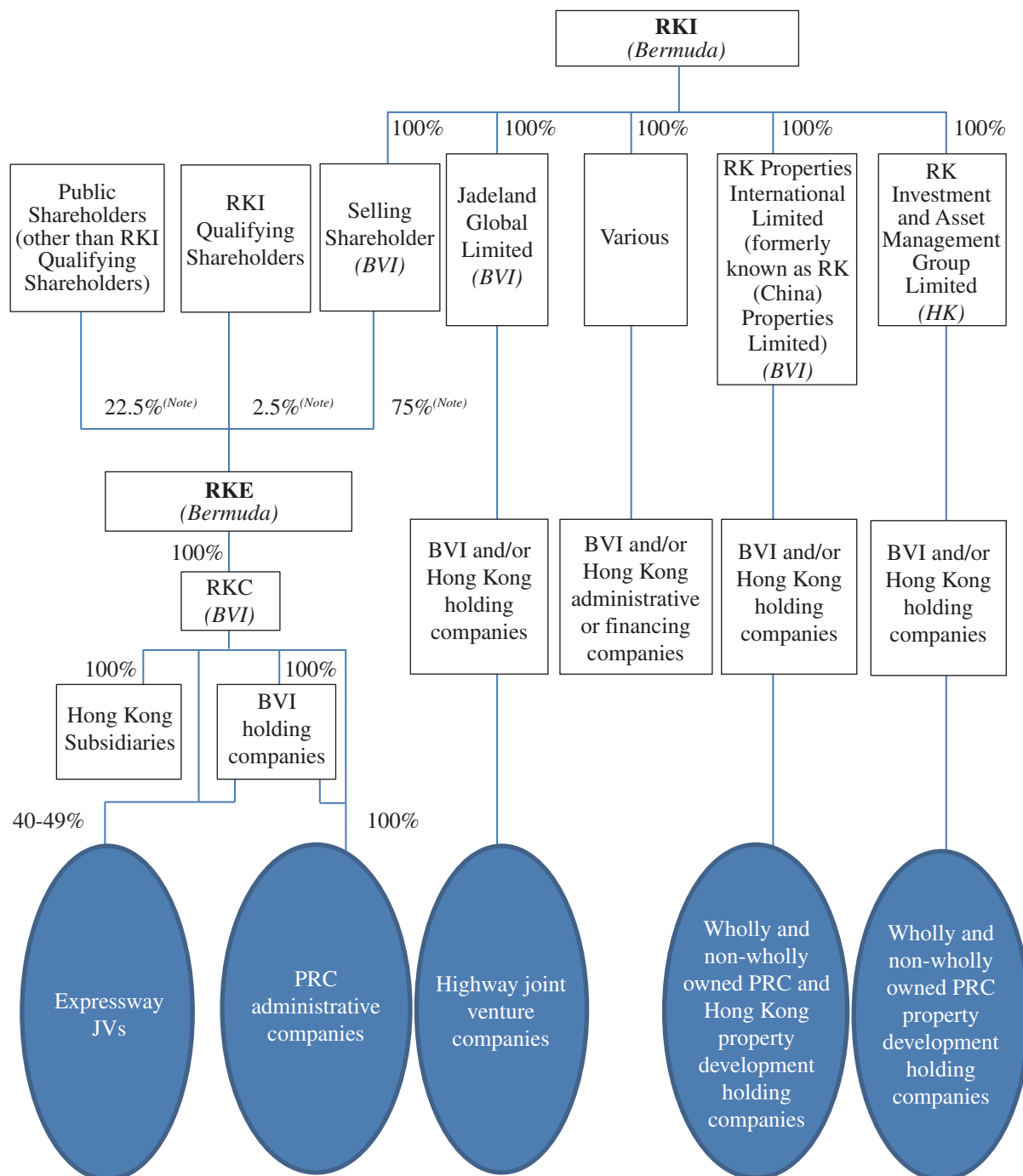
As at the Latest Practicable Date, RKE was indirectly held as to 100% by RKI.



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Corporate and shareholding structure of the Group and RKE immediately upon completion of the Proposed Spin-off

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, the Group's equity interest in RKE will be reduced to a level of not more than 75.0% immediately after the Proposed Spin-off.



Note: The percentages of RKE Shares held by each of the Selling Shareholder, RKI Qualifying Shareholders and the public is based on the assumption that 25% of the RKE Shares are offered pursuant to the Global Offering (taking no account of any RKE Shares which may be delivered by RKE pursuant to the exercise of the Over-allotment Option). The percentage of RKE Shares held by RKI Qualifying Shareholders is based on the assumption that all RKE Shares offered under the Preferential Offering have been fully subscribed for by RKI Qualifying Shareholders.

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3.3 *Business delineation*

As described in the “Letter from the Board” of the Circular, we note that there is a clear delineation between the core business retained by the Remaining RKI Group and the business of the RKE Group. In particular, the Remaining RKI Group will be principally engaged in the investment in, and development, operation and management of, property development in the PRC (the “**Properties Business**”) and elsewhere, whereas the RKE Group will be primarily engaged in investment in, and development, operation and management of, toll road projects (the “**Expressway Business**”).

Notwithstanding the Remaining RKI Group will continue to hold and manage a 50% interest in the Excluded Highway in Jiangsu Province which connects Suzhou to the Shanghai Hongqiao Airport, the Board is of the view that there is minimal competition between the Excluded Highway and the expressways of the RKE Group given none of the expressways held by the RKE Group are operating in Jiangsu Province where the Excluded Highway is located.

Having considered (i) the term of the joint venture for the only Excluded Highway will expire in December 2017; (ii) 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; and (iii) the Excluded Highway and RKE Group are managed and operated by separate independent project management teams, we concur with the Board’s view that there is no material risk in terms of the future potential conflicts of interests and competition between RKE Group and the Remaining RKI Group. In respect of further initiative to avoid any potential conflict of interest, please refer to the section headed “3.4 Deed of Non-competition” below.

As a result, in view of (i) the Properties Business of the Remaining RKI Group and the Expressway Business of the RKE Group are distinct business operations and they are managerial, financial and operational independent as discussed under section headed “3.5 Independence of the RKE Group” of this Letter; and (ii) there is minimal potential competition and future conflict of interests between RKE Group’s Expressway Business and the Remaining RKI Group’s Excluded Highway as aforementioned, we consider there is a clear delineation between the business retained by the Remaining RKI Group and the business of the RKE Group.

3.4 *Deed of Non-competition*

To avoid any potential conflict of interest between the Remaining RKI Group and RKE Group, we also noted that the Company will as part of the Proposed Spin-off undertake and covenant with RKE pursuant to the Deed of Non-competition described in the Circular.

The undertakings by the Company under the Deed of Non-competition will terminate upon the earlier of the following to occur:

- i. the date when the RKE Shares cease to be listed on the Stock Exchange;
- ii. the date on which the RKE Group ceases to carry out the Spin-off Business; and
- iii. the date when the Company directly or indirectly through its close associates together holds less than 30% of the issued RKE Shares.

After reviewing the details of the Deed of Non-competition as stated in the “Letter from the Board” of the Circular, we are of the view that the terms are reasonable, given the goal is to minimise any potential competition and conflict of interests between the RKE Group and Remaining RKI Group.

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3.5 Independence of the RKE Group

Financial independence

As disclosed in the “Letter from the Board” of the Circular, we note that the Remaining RKI Group and the RKE Group each have independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing.

In addition to the expected full settlement on the amounts due from the Remaining RKI Group to the RKE Group of approximately HK\$747.1 million as at 31 December 2016 prior to the Proposed Spin-off, we note that the following guarantees will be released in accordance with the terms of the relevant notes and perpetual capital securities, or otherwise settled through refinancing of the relevant bank borrowings upon completion of the Proposed Spin-off:

- i. approximately HK\$9,389.6 million in principal amount of senior notes issued by various members of the Remaining RKI Group and outstanding bank borrowings which are guaranteed by certain offshore incorporated members of the Remaining RKI Group including RKI together with all offshore incorporated members of RKE Group;
- ii. approximately US\$300.0 million payment obligation of perpetual securities issued by a wholly-owned subsidiary of RKI in February 2017 which are guaranteed by all offshore incorporated members of the RKE Group; and
- iii. approximately US\$280.0 million in principal amount of payment obligations under a club loan of a member of the Remaining RKI Group in March 2017 which are guaranteed by certain members of the Remaining RKI Group (together with an offshore incorporated member of the RKE Group).

Meanwhile, it is also noted that despite the Machao Guarantees will not be released upon the Proposed Listing, the Board believes that the inability to release/replacement of the Machao Guarantees will not affect the financial independence of the RKE Group for the following reasons:

- i. Based on the Group’s discussions with the lending banks, the Board is of the view that the reluctance to release the Machao Guarantees or accept replacement guarantees or security was not driven by creditability issue of the RKE 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;
- ii. RKE Group has consistently been providing substantial cash advances to the Remaining RKI Group such that net amounts due from the Remaining RKI Group to RKE Group amounted to approximately HK\$262.1million, HK\$248.6 million and HK\$747.1 million as of 31 December 2014, 2015 and 2016 respectively;
- iii. RKE Group has sufficient and strong cash position to finance and support its business, as it has been able to provide pro rata share of the financing needs of the Changyi Expressway JV in the form of shareholders loans. In particular, approximately 50% of total borrowings of Changyi Expressway JV of approximately HK\$277.9 million as of 31 December 2016;

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- iv. RKE Group has the ability to raise funds independently without credibility concerns, as Longcheng Expressway JV was able to secure its own loan (the principal amount outstanding being approximately HK\$3.1 billion as of 31 December 2016) in the absence of any guarantee or security; and
- v. RKE has received commitment letters from each of The Hong Kong and Shanghai Banking Corporation Limited and the DBS Bank Ltd., confirming availability of committed term loans of principal amount of HK\$750.0 million for working capital purposes and US\$25.0 million drawable within 12 months of Listing for further acquisition, respectively.

In view of (i) RKE has sufficient internal resources to cater for its financial needs in the past; (ii) RKE has access to the banking facilities as discussed above; and (iii) RKE Group will have access to equity financing after Proposed Listing, the Board considers, and we concur, that the RKE Group is not financially dependent on the Remaining RKI Group, and vice versa, if the abovementioned arrangements are properly in place.

Operational independence

According to the “Letter from the Board” of the Circular, we noted that the operations of RKE Group are independent of and not connected with the Remaining RKI Group, given each group has its separate teams specialising in its business and project development, assessment and management, staffing, finance and accounting or internal audit functions. In fact, in addition to having independent access to suppliers and customers, we understand from the Management that the Remaining RKI Group and the RKE Group also have sufficient operating capacity in terms of capital, equipment, employees and management team to operate its day-to-day business independently.

As such, given that majority of the administrative and daily operations for both RKI and RKE Group will be carried out by their respective team and department independently of each other, we concur with the Director’s view that there is clear operational independence between both groups after the Proposed Spin-off.

Management independence

The Board consists of twelve directors, comprising four executive Directors, three non-executive directors and five independent non-executive Directors as at 31 December 2016.

Following the Proposed Spin-off, it is noted that apart from (i) Mr. Zen Wei Pao, William, (“**Mr. Zen**”) who will be the Chairman and executive director of both Remaining RKI Group and RKE Group, (ii) Mr. Wong Wai Ho, will have resigned from his directorship with the Company and will be an independent non-executive director of RKE Group; and (iii) Mr. Fong Shiu Leung, Keter, who will be the company secretary of RKE Group but will not assume any management functions in the RKE Group, none of the other Directors sit on the board of RKE or hold any position or assume any management functions in the RKE Group. In addition, the Remaining RKI Group will have its fulltime senior management team and employees which are independent from the RKE Group.

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Set out below is the board of the RKE Group and Remaining RKI Group upon the Proposed Spin-off.

Position	RKE Group	Remaining RKI Group
Executive directors	Mr. Zen Wei Pao, William (Chairman) Mr. Yu Kam Fat (Chief Executive Officer) Mr. Lee Tak Fai (Finance Director)	Mr. Zen Wei Pao, William (Chairman) Mr. Ko Yuk Bing (Deputy Chairman, Managing Director and Chief Executive Officer) Mr. Zen Wei Peu, Derek Mr. Fong Shiu Leung, Keter (Finance Director)
Independent non-executive directors	Mr. Wong Wai Ho Mrs. Chow Liang Shuk Yee, Selina Dr. Ng Chung Wai, David Dr. Sui Shujing	Mr. Lau Sai Yung Dr. Chow Ming Kuen, Joseph Mr. Tse Chee On, Raymond Mr. Zhang Yongliang
Non-executive directors	N/A	Mr. Lam Wai Hon, Patrick (who will retire as a non-executive Director at the annual general meeting to be held on 18 May 2017) Mr. Mou Yong Mr. Dong Fang

Notwithstanding Mr. Zen's overlapping roles in the Remaining RKI Group and RKE Group, the Board, having considered his past experience, is of the view that he will dedicate adequate time and attention to provide strategic leadership to the Remaining RKI Board, while also setting the strategic vision, direction and goals for RKE Group.

In the event that there is a perceived conflict of interest in respect of any matters, Mr. Zen and/or other interested Director(s) will abstain from voting at the relevant board meetings of RKI in respect of such matters and shall not be counted in the quorum. As such, Mr. Zen will abstain from voting on the resolution in relation to the Proposed Spin-off since RKE Group has an interest in the resolution.

Having considered the above factors and taking into account an audit committee, a nomination committee and a remuneration committee have been established to further enhance the level of corporate governance and address any potential conflict of interests of the Company, we are of the view that the RKE Group is capable of carrying on its business independently of, and does not place undue reliance on, the Remaining RKI Group based on the above arrangement together with the corporate governance measures.

3.6 Use of proceeds

As illustrated in the "Letter from the Board" of the Circular, we note that approximately 90% of the net proceeds from the Global Offering will be used by RKE Group for acquisition of new expressway projects and planned expansion of existing expressway projects in a 60:40 ratio as between amounts to be applied towards acquisitions and expansion respectively. Further, we also note that RKE currently intends to use approximately 10% of the total net proceeds to fund working capital of the RKE Group and for general corporate purposes. In particular, the RKE Group will focus on acquiring expressway projects in the PRC, where its board of directors believes expressways may become more attractive due to the increased traffic flow as a result of the "One Belt, One Road" initiative. In this regard, RKE Group 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, the RKE Group has not identified projects that they intend to acquire.

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We further note that in the event where net proceeds to be used to acquire new expressway projects are then not deployed by the time of RKE's first distribution following the Proposed Listing, the RKE Group may use the net proceeds up to HK\$370.0 million to fund its distribution to holders of RKE Shares.

As described in the "Letter from the Board" of the Circular, RKE Group having a market capitalisation of approximately HK\$9.6 billion before the exercise of the Over-allotment Option, and on the assumption of approximately 35.7% of the total RKE issued shares make available under the Global Offering being sold by the Remaining RKI Group, the estimated net proceeds for the Proposed Spin-off of approximately HK\$842.8 million may be attributable to the Remaining RKI Group. In this respect, it is also noted that the Company intends to use the net proceeds from the Global Offering payable to the Remaining RKI Group mainly for general corporate purposes.

In view of the tentative use of proceeds above is in line with RKE Group's business strategy as stated in the Application Proof and may potentially increase the Remaining RKI Group's general working capital, we concur with the Directors' view that such deployment of funds, having considered internal and external factors, is strategic, reasonable and in the best interests of the Company and Shareholders as a whole.

3.7 Underwriting agreements and stock borrowing agreement

In connection with the Proposed Spin-off, the RKE Group and the Selling Shareholder will enter into underwriting agreements relating to the Global Offering with RKE, the joint sponsors of the Proposed Listing and the underwriters and the joint global coordinators of the Global Offering. In connection with the Proposed Spin-off and the Global Offering, the Company and the Selling Shareholder may also enter into cornerstone agreement(s) with selected third party investor(s). In addition, the Selling Shareholder may enter into a stock borrowing arrangement for stabilisation purposes.

As per our discussion with the Management, we note that the Global Offering is expected to comprise (i) the Hong Kong Public Offering; and (ii) the International Offering which is subject to the Over-allotment Option (including the Preferential Offering) under which the joint global coordinators (on behalf of the international underwriters) may require the delivery of additional shares in aggregate of up to approximately 15% of the number of RKE Shares to be initially offered under the Global Offering.

In this respect, we also understand from the Management that the final allocation of offer shares will be determined after the consultation with various potential underwriters, and is still dependent on the market condition and underwriter's capacity at the time of the Global Offering.

3.8 Preferential Offering

With reference to PN15, it is noted that the Company is required to give due regard to the interests of the RKI Qualifying Shareholders by providing them with an assured entitlement to the Shares. Accordingly, it is expected that an aggregate of 10.0% of the RKE Shares initially available under the Global Offering (assuming that the Over-Allotment Option is not exercised) will be offered to RKI Qualifying Shareholders as an Assured Entitlement.

Based on our discussion with the Management, the final number of the Reserved Shares will be subject to changes based on market conditions at the time of the Global Offering. The Reserved Shares is expected to be offered out of the International Offer Shares under the International Offering and are not subject to reallocation.

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As a comparison, we have, to the best of our effort, identified and reviewed the following spin-off listing cases (excluding companies that were spun-off and listed by way of introduction) with preferential entitlements completed by Hong Kong listed companies since 1 June 2012 up to the Latest Practicable Date. Detailed information of the 10 spin-off and listing cases are set out as follows:

Prospectus date	Stock code	Company name	Number of offer shares/ share stapled units	Number of reserved shares/share stapled units	Approximate assured entitlement as % of the offerings
28-Jun-12	1332	Qualipak International Holdings Limited	14,375,999	8,625,999	60.0%
16-May-13	1270	Langham Hospitality Investments Limited	852,174,000	42,608,000	5.0%
28-Nov-13	1372	Excel Development (Holdings) Limited	50,000,000	5,000,000	10.0%
16-Jan-14	2638	HK Electric Investments Limited	4,426,900,000	533,565,500	12.1%
17-Jun-14	1778	Colour Life Services Group Co., Limited	250,000,000	25,000,000	10.0%
17-Jun-14	1321	China New City Commercial Development Limited	468,000,000	47,352,700	10.1%
19-Jun-14	6139	Jinmao (China) Investments Holdings Limited	600,000,000	80,000,000	13.3%
30-Oct-15	1556	Chinney Kin Wing Holdings Limited	382,500,000	34,425,000	9.0%
30-Mar-16	1243	Wang On Properties Limited	380,000,000	34,200,000	9.0%
26-Jan-17	1627	Able Engineering Holdings Limited	500,000,000	50,400,000	10.1%
		Mean			14.9%
		Median			10.0%
		Maximum			60.0%
		Minimum			5.0%
		The Company			10.0%

Source: Extracted from the relevant announcements, circulars and prospectuses of the respective companies

From the above comparison table with information of spin-off and listing cases on the Mainboard of the Stock Exchange with preferential entitlement completed since 1 June 2012 up to the Latest Practicable Date (“Comparable Spin-offs”), we note the percentage of shares/share stapled units initially issued as preferential entitlement to Qualifying Shareholders to the number of shares/share stapled units issued in the Global Offering ranges from approximately 5.0% to 60.0%, whilst the average and median are 14.9% and 10.0% respectively.

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Given the fact that (i) the percentage of the Assured Entitlement is equal to the median, slightly below the mean and within the range of the preferential entitlements of the Comparable Spin-offs ranging from approximately 5.0% to 60.0%; (ii) RKE must maintain a minimum public float similar to the Comparables of not less than 25.0% of its enlarged issued share capital immediately after the Proposed Spin-off; and (iii) the Assured Entitlement allows the RKE Qualifying Shareholders to have the opportunity to subscribe for the Reserved Shares on an assured basis, we note that the arrangement of Preferential Offering is in line with the market practice.

In view of the above and together with the fact that (i) RKE will remain as a subsidiary of the RKE Group after the Proposed Spin-off as stated under section headed “2. Reasons for and benefits of the Proposed Spin-off” of this Letter; (ii) the net proceeds of the Global Offering will contribute to the development of business as illustrated under section headed “3.6 Use of proceeds” of this Letter; (iii) the sale of RKE Shares contemplated under the Proposed Spin-off will allow the Remaining RKE Group to realise part of the Company’s investment and to apply the proceeds (after expenses) for general corporate purposes (as noted under the section headed “2. Reasons for and benefits of the Proposed Spin-off” of this Letter); (iv) any Shareholders who wish to enhance their exposure to the RKE Group may also participate in the Global Offering; and (v) reasons and benefits as discussed under section headed as discussed “2. Reasons for and benefits of the Proposed Spin-off” of this Letter, we are of the view that, in totality, the proportion of the RKE Shares which would be issued as Reserved Shares for subscription by the RKE Qualifying Shareholders is reasonable.

For more details about the Preferential Offering, such as the basis of the Assured Entitlement and Allocation for Applications for Reserved Shares, please refer to the Circular.

4. Possible financial effects of the Proposed Spin-off

The analysis of the financial effects of the Proposed Spin-off and the Proposed Listing as described below is based on the current structure of the Proposed Spin-off, taking no account of any RKE Shares which may be delivered by RKE and/or sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option.

4.1 Effects on equity and net asset value

After taking into account that (i) the Directors intend to proceed with the Proposed Spin-off only if the expected market capitalisation of the RKE Group exceeds approximately HK\$5.0 billion; (ii) the audited consolidated net asset value after deducting non-controlling interests of the Group as at 31 December 2016 of approximately HK\$13.3 billion; (iii) the proposed dividend of approximately HK\$740.0 million to be declared by RKE as part of the reorganisation to facilitate the set off against net amounts due from the Remaining RKE Group to RKE Group (as described in the Application Proof); and (iv) the new shares to be issued has a dilution impact of at least 25.0% (i.e. not more than 75.0% shareholdings of RKE would be held by RKE Group after Proposed Listing), the Board expects that RKE may recognise a mild surplus resulting from the Proposed Spin-off.

In particular, with reference to a market capitalisation of approximately HK\$9.6 billion before the exercise of the Over-allotment Option, the Board as described in the “Letter from the Board” of the Circular expects that RKE will recognise a minimum surplus resulting from the Proposed Spin-off of approximately HK\$1.0 billion. Given that RKE will remain a subsidiary of RKE following the completion of the Global Offering, any increase in surplus will be recognised as reserve movements of RKE and the net assets (after deducting minority interests) of the Group are therefore expected to increase by the same amount. As such, we note that the Proposed Spin-off may have a positive impact on the net asset value of the Remaining RKE Group. For more details about the financial effects of the Proposed Spin-off, please refer to the “Letter from the Board” of the Circular.

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4.2 Effects on earnings

Following completion of the Proposed Spin-off, we note that the RKE Group's earnings attributable to the Group are expected to be reduced from 100% down to a holding of not more than 75% based on the assumptions that the Over-allotment Option is not exercised. Nevertheless, given RKE will continue to be a subsidiary of the Group, the financial results of the RKE Group will continue to be consolidated into the accounts of the Group. As a result of the Proposed Spin-off whereby part of the RKE Group is disposed of by the Group, minority interests of the Group are expected to increase.

In light of the above, we are of the view that the Proposed Spin-off should not have material adverse impact on the Group's earnings, and the Group is expected to enjoy the continuous benefits borne by the Proposed Spin-off as stated under the section headed "2. Reasons for and benefits of the Proposed Spin-off" of this Letter in the long run.

4.3 Effects on liquidity

According to the aforementioned offering structure, the Company intends to sell some of its shares in RKE under the Global Offering and immediately following the completion of the Proposed Spin-off, the Company expects to use the proceeds mainly for the general corporate purposes. In view of the possible increase in working capital, we understand from the Management that the Proposed Spin-off is expected to have a positive impact on the liquidity position of the Group.

4.4 Section summary

After taking into account the effects of the Proposed Spin-off on the Group's (i) equity and net asset value; (ii) earnings; and (iii) liquidity, we are of the view that the Proposed Spin-off will not impose material negative impact on the financial position of the Group. In this respect, we, having considered the continuous benefits borne by the Proposed Spin-off as stated under the section headed "2. Reasons for and benefits of the Proposed Spin-off" of this Letter, consider such overall potential financial effects of the Proposed Spin-off are acceptable.

5. Valuation of the RKE Group

In assessing the fairness and reasonableness of the valuation of the RKE Group, we have conducted a comparable analysis through identifying companies which are primarily engaged in similar business activities as the RKE Group and are listed on the Stock Exchange (the "**Comparables**"). As the capital market changes rapidly, we consider that the Comparables' recent price-to-earnings ratios ("**PE**") and price-to-book ratios ("**PB**") can serve as reference to recent market conditions as well as market sentiment at the time of Proposed Spin-off. In particular, we believe that the mean and median of the Comparables' PE and PB are fair and indicative in reflecting the reasonable PE and PB level for the companies in the same industry.

While it should be noted that all the subject companies involved in the comparable analysis may have different market capitalisation, profitability, and financial positioning as compared with those of the RKE Group, the analysis is meant to cover an exhaustive list of comparable companies listed in Hong Kong and form an appropriate sample size to reflect the value of comparable companies in the same industry. In light of this, we consider the Comparables' PE and PB to be the appropriate basis to assess the fairness of the PE and PB of the RKE Group and in turn, the proposed Offer Price.

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5.1 Analysis methodology

In identifying the Comparables, we adopted the following selection criteria (i) companies that are engaged in similar principal businesses as the RKE Group; and (ii) companies that are primary listed on Stock Exchange and, if any, secondary listed on The Shanghai Stock Exchange.

We have selected, to our best effort, the following list of Comparables and believe it is sufficient to provide a reasonably well informed view of the Comparables. For the purpose of our analysis, we adopted the Comparables' net profit attributable to owners of the Company adjusted by any material non-recurring items in order to eliminate the effects from one-time gains or losses on the PE. The results of our analysis are as follows.

Stock code	Company name	Principle activities	Market capitalisation (Note 1) HK\$'000	Net Profit (Note 2) HK\$'000	Net Asset Value (Note 3) HK\$'000	PE	PB
177	Jiangsu Expressway Co. Limited	Investment, construction, operation and management of toll roads in PRC, and provision of passenger transport services and other supporting services along the toll roads.	53,092,959	3,745,880	25,085,920	14.17	2.12
548	Shenzhen Expressway Co. Limited	Investment, construction and operation management of toll highways and roads in the PRC.	19,025,390	1,134,828	14,315,821	16.77	1.33
576	Zhejiang Expressway Co. Ltd.	Operation, maintenance and management of high grade roads, development and operation of certain ancillary services, such as advertising and fuel facilities, provision of security broking service and proprietary securities trading.	40,260,671 (Note 4)	3,430,749	20,689,229	11.74	1.95
737	Hopewell Highway Infrastructure Limited	Initiation, promotion, development and operation of toll expressways and bridges in the PRC.	13,497,803	615,702	6,071,154	21.92	2.22
995	Anhui Expressway Co. Limited	Construction, operation, management and development of the toll roads and associated service sections in the Anhui Province, and operate pawn business.	19,775,217	1,044,872	9,876,912	18.93	2.00
1052	Yuexiu Transport Infrastructure Limited	Investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.	9,804,731	1,037,804	10,258,072	9.45	0.96
1823	Huayu Expressway Group Limited	Construction, operation and management of an expressway in the PRC.	338,339	(10,477)	(202)	n/a	n/a
		Minimum				9.45	0.96
		Maximum				21.92	2.22
		Mean				15.50	1.76
		Median				15.47	1.97

Source: HKEx website and The Shanghai Stock Exchange website

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Notes:

1. The market capitalisation is based on the closing price on the Latest Practicable Date.
2. The net profit attributable to equity shareholders of the respective companies as extracted from their latest published annual reports. If the reporting currency is denominated in RMB, for the purpose of the comparison, the amount is converted at the exchange rate of RMB1.00 to HK\$1.1295 as at the Latest Practicable Date.
3. The net asset value which represents the equity attributable to the shareholders of the respective companies was extracted from the latest published results of the respective companies (i.e. interim or annual reports). If the reporting currency is denominated in RMB, for the purpose of the comparison, the amount is converted at the exchange rate of RMB1.00 to HK\$1.1295 as at the Latest Practicable Date.
4. The implied market capitalisation is calculated based on the number of H shares and non-listed domestic shares in issue based on the latest available information.

5.2 Analysis of PE of the RKE Group and its peers

As set out in the table above, one of the Comparables' PEs is not available as it recorded losses in the most recent financial year. Therefore, excluding Huayu Expressway Group Ltd (Stock code: 1823) which had made a loss in the most recent financial year, we observed that the range, mean, and median of the Comparables' PEs are 9.4 to 21.9, 15.5 and 15.5 respectively.

With reference to the RKE Group's net profit after taxation from continuing operations of approximately HK\$387.9 million for the year ended 31 December 2016 and the Comparables' PE range of approximately 9.4 to 21.9 times, we note that the reasonable market capitalisation of the RKE Shares based on comparable PE is expected to range from HK\$3.6 billion to HK\$8.5 billion.

5.3 Analysis of PB of the RKE Group and its peers

As illustrated in the table above, we also note that one of the Comparables' PBs is not available as the company had recorded a net liabilities value as at the latest financial year. Based on the calculation above, the mean and median of the Comparables' PB as at 31 December 2016 are approximately 1.8 times and 2.0 times respectively, and it ranged from approximately 1.0 to 2.2 times.

With reference to the unaudited combined RKE Group's net asset value of approximately HK\$4.5 billion for the year ended 31 December 2016 and the Comparables' PB range of approximately 1.0 to 2.2 times, we note that the reasonable market capitalisation of the RKE Shares based on comparable PB is expected to range from HK\$4.3 billion to HK\$10.0 billion.

5.4 Section summary

After taking into account of the PE and PB valuation above, it is noted that, given the number of RKE Shares, a fair and reasonable Offer Price should have an implied market capitalisation of RKE Shares ranging from approximately HK\$3.6 billion to HK\$10.0 billion. We note from the Stock Exchange's Listing Decision LD106-1 that listing applicants operating under joint venture framework (such as the case of RKE Group) must have a market capitalisation of at least HK\$4.0 billion at the time of listing, so as to meet the large market capitalisation test as provided under Rule 8.05(3) of the Listing Rules. In this connection, it is noted that the HK\$4 billion minimum market capitalisation falls within the aforementioned reasonable range of implied market capitalisation of RKE Shares.

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Further, as described in the “Letter from the Board”, we also note that the Directors intend to proceed with the Proposed Spin-off only if the expected market capitalisation of the RKE Group exceeds approximately HK\$5.0 billion. Given that the amount is higher than the minimum capitalisation of HK\$4.0 billion above and within the reasonable range of implied market capitalisation of RKE Shares, we consider the possible Offer Price of RKE Shares is fair, reasonable and in the interests of the Company and Shareholders as a whole from the perspective of PE and PB valuation.

6. Conditions of the Proposed Spin-off

As stated in the “Letter from the Board” of the Circular, the Proposed Spin-off will be conditional upon, among other things, the following:

- i. the approval of the Listing Committee of the Stock Exchange in relation to the Proposed Listing and permission to deal in on the Main Board of the Stock Exchange, the RKE Shares in issue and any RKE Shares which may be issued in relation to the Proposed Spin-off;
- ii. approval by the Shareholders of the Proposed Spin-off at the SGM;
- iii. the terms and structure of the Global Offering being agreed among the Company, RKE, the Selling Shareholder, and joint sponsors of the Listing Application;
- iv. the obligations of the underwriters under the underwriting agreements to be entered into between among others, RKE and the underwriters in respect of the Global Offering becoming unconditional in all respects and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the dates and times to be specified therein; and
- v. market conditions and other considerations.

If any of the above conditions is not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off and the Proposed Listing will not proceed and an announcement will be published by RKE as soon as practicable thereafter.

Shareholders and public investors should be aware that there is no assurance that the Proposed Spin-off and Proposed Listing will take place and, if so, when they may take place. Shareholders and potential investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

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RECOMMENDATION

In view of the above principal factors and reasons, we are of the view that the Proposed Spin-off is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders, as well as the Independent Board Committee to advise the Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Charlotte Khoo
Assistant Director

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 26 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Ms. Charlotte Khoo (“**Ms. Khoo**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over five years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Company, together with the accompanying notes, for each of the three years ended 31 December 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the financial years ended 31 December 2014 (pages F3-F75), 31 December 2015 (pages F3-F79), and 31 December 2016 (pages F8-F95), respectively, and are incorporated by reference into this circular.

These annual reports of the Company are available on the Company's website at www.roadking.com.hk and website of the Stock Exchange at www.hkexnews.hk through the links below:

Annual report for the year ended 31 December 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0330/LTN20150330593.pdf>

Annual report for the year ended 31 December 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0329/LTN20160329697.pdf>

Annual report for the year ended 31 December 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0406/LTN20170406565.pdf>

2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2017, being the latest practicable date prior to the printing of this circular and for the purpose of this indebtedness statement, the Group had below outstanding indebtedness:

	<i>HK\$' million</i>
Senior notes	7,205.9
PRC domestic bonds	1,693.3
Bank loans	8,335.7
Other loans	1,586.6
Total borrowings	<u>18,821.5</u>
Secured borrowings	4,621.2
Unsecured borrowings	14,200.3
	<u>18,821.5</u>
Guaranteed borrowings	14,862.1
Unguaranteed borrowings	3,959.4
	<u>18,821.5</u>

Other than above, the Group had loans from non-controlling interests of subsidiaries, consideration payable from acquisition of joint ventures and amount due to an associate of HK\$177.2 million and HK\$336.6 million and HK\$432.3 million, respectively as at 31 March 2017. They were unsecured and unguaranteed.

The security provided by the Group of the abovementioned borrowings were the inventory of properties of the Group. The guaranteed borrowings were guaranteed by the Company and certain of its subsidiaries.

In addition, the Group provided guarantees of approximately HK\$6,616.8 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. The Group also provided guarantees of approximately HK\$1,148.1 million to banks in connection with the banking facilities granted to joint ventures of the Group.

In March 2017, the Company entered into an agreement with an independent third party (the land provider) pursuant to which the Company will provide guarantee and indemnity in favour of the independent third party for 50% of the outstanding debts incurred by a joint venture of the Group (which is a subsidiary of the Company for the purposes of the Listing Rules) for a property development project in Hong Kong. The remaining 50% of the joint venture is borne by the PRC joint venture partner. The guarantee attributable to the Group in respect of the total liabilities of the joint venture, including the shareholders' loans as at 31 March 2017 was HK\$516.4 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not, as of the close of business on 31 March 2017, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account its existing cash and bank balances, bank and other borrowing facilities and other internal resources available and the effect of major disposal in relation to the Proposed Spin-off, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

China's economy faces downward pressure while property industry is still an important pillar of the economy. It is expected that the Chinese Government will continue the policy of maintaining stability and the Group is optimistic about the prospect of the property market.

The Group will continue to adopt the strategy that maintains deeper exploitation, and balances profitability and sales volume, researching and developing market-oriented products, enhancing the value-added services of the property management services, and to continuously improve product and service quality and brand appeal. In the meantime, the Group will enhance cooperation with business partners to look for better development. The Group believes that our market position and a well-developed operation team have established a solid foundation for the continuous expansion in property business.

The Group believes that the toll road business would provide steady cash flows. By leveraging the experience obtained over the past two decades, the Group ensures a sustainable and stable operation and development.

The following is a summary of the principal terms of the RKE Share Option Scheme proposed to be conditionally approved and adopted by the written resolutions of the sole shareholder of RKE prior to the issue of the Prospectus:

(a) Purpose

The RKE 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 RKE and to encourage the Participants to work towards enhancing the value of RKE and the RKE Shares for the benefit of RKE and its shareholders as a whole.

(b) Who may join

The RKE board may, at its discretion, grant options to the following persons (collectively the “Participants”):

- (i) any executive or non-executive directors of the RKE Group; and
- (ii) any executives, officers, consultants or full-time employees of the RKE Group who the RKE board considers, in its sole discretion, have contributed or will contribute to the RKE Group.

An offer shall be made to a Participant by letter in such form as the RKE board may from time to time determine specifying, inter alia:

- (i) the number of RKE 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 RKE board are fair and reasonable but not being inconsistent with the RKE 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 RKE 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 RKE Share Option Scheme is terminated or after the Participant ceases to be a Participant. An option shall be regarded as having been accepted when RKE 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 RKE 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 RKE 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 RKE stating that the option is thereby exercised and the number of RKE 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 RKE 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 RKE pursuant to paragraph (q), RKE shall allot the relevant RKE Shares to the grantee credited as fully paid and issue to the grantee a share certificate in respect of the RKE Shares so allotted.

The exercise of any option shall be subject to the RKE shareholders in a general meeting approving any necessary increase in the authorised share capital of RKE. Subject thereto the RKE board shall make available sufficient authorised but unissued share capital of RKE to meet subsisting requirements on the exercise of options.

(d) Maximum number of RKE Shares in respect of which options may be granted

The total number of RKE Shares which may be issued upon exercise of all options to be granted under the RKE Share Option Scheme and any other share option schemes of RKE and/or any subsidiary must not in aggregate exceed 10% of the number of all the issued RKE Shares as at the date of commencement of dealings of RKE Shares on the Stock Exchange (the “**Scheme Mandate Limit**”). Options lapsed or cancelled in accordance with the terms of the RKE Share Option Scheme or any other share option schemes of RKE and/or any subsidiary shall not be counted for the purpose of calculating the Scheme Mandate Limit.

RKE may renew the Scheme Mandate Limit at any time subject to prior RKE shareholders’ approval but in any event, the total number of RKE Shares which may be issued upon exercise of all options to be granted under the RKE Share Option Scheme and any other options to be granted under any other share option scheme of RKE and/or any subsidiary under the limit as refreshed must not exceed 10% of the RKE Shares in issue as at the date of the RKE shareholders’ approval of the renewed limit. Options previously granted (and subject to acceptance) under the RKE Share Option Scheme and any other share option schemes of RKE and/or any subsidiary (including those outstanding, cancelled or lapsed in accordance with the RKE Share Option Scheme or such other schemes of RKE and/or any subsidiary and those that have been exercised) shall not be counted for the purpose of calculating the limit as renewed.

RKE may, with the approval of its 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 RKE Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the RKE Share Option Scheme and any other share option schemes of RKE and/or any subsidiary shall not exceed 30% of the number of issued RKE Shares from time to time. No options shall be granted under any schemes of RKE and/or any subsidiary (including the RKE 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 RKE Share Option Scheme or any other share option schemes of RKE 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 RKE Shares as, when aggregated with the total number of RKE 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 RKE 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 RKE Shares in issue as at the proposed grant date. If the prior approval of the RKE 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 RKE board may grant options to such Participant in respect of such number of RKE Shares and on such terms as may be specified in the said RKE 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 RKE board in its absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of the RKE 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 RKE 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 RKE 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 RKE, or any of their respective associates under the RKE Share Option Scheme or any other share option schemes of RKE 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 RKE 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 RKE Share Option Scheme and any other share option schemes of RKE 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 RKE Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the RKE 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 RKE shareholders (voting by way of poll). All the core connected persons of RKE shall abstain from 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 RKE'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 RKE board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of RKE'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 RKE 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 RKE 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 RKE.

(j) Time of exercise of options and duration of the RKE 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 RKE 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 RKE in general meeting or by the RKE board, the RKE Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the RKE Share Option Scheme, after which no further options shall be granted or accepted but the provisions of the RKE 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 RKE 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 RKE 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 RKE or a member of the RKE 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), 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 RKE or the relevant member of the RKE 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 RKE or the relevant member of the RKE Group, and in all other cases, the date as determined by the RKE board) and shall cease to be exercisable provided that the RKE 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 RKE board may determine following the date of such cessation. Subject to the sole discretion of the RKE 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 RKE or a particular member of the RKE Group but at the same time he takes up a different position of directorship or employment with RKE or another member of the RKE Group, as the case may be.

In the event of a grantee who is not an employee or a director of RKE or a member of the RKE Group ceasing to be a Participant as and when determined by the RKE board by resolution for any reason other than his death, the RKE 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) and the grantee has exercised the option in whole or in part pursuant to the RKE Share Option Scheme but RKE 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 RKE shall return to the grantee the amount of the subscription price for the RKE 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 RKE and/or any member of the RKE Group under paragraph (r) 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 RKE 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 RKE to its shareholders to convene a RKE shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up RKE, RKE 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 RKE being not less than 10 Business Days prior to the date of the proposed RKE shareholders' meeting) exercise the option, and RKE shall as soon as possible and in any event no later than three days prior to the date of the proposed RKE shareholders' meeting, allot, issue and register in the name of the grantee such number of fully paid RKE 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 RKE and its shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of RKE, RKE shall give notice thereof to all the grantees who have options unexercised on the same day as RKE gives notice of the meeting to its 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, RKE may require each grantee to transfer or otherwise deal with the RKE 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 RKE Shares been the subject of such compromise or arrangement and each grantee must transfer or deal with the RKE Shares in accordance with the request of RKE.

(p) Ranking of RKE Shares

The RKE Shares to be allotted upon the exercise of an option will be subject to all the provisions of the bye-laws of RKE for the time being in force and will rank *pari passu* in all respects with the fully paid RKE Shares in issue on the date of allotment, or if that date falls on a day when the register of members of RKE 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 RKE 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 RKE.

The options do not carry any right to vote in general meeting of RKE, or any right, dividend, transfer or any other rights, including those arising on the liquidation of RKE.

(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 RKE (other than an issue of RKE 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 RKE Shares subject to the RKE Share Option Scheme, the number of RKE 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 RKE 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 RKE 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 RKE Share would be issued at less than its nominal value.

RKE shall engage its auditors or an independent financial adviser to certify in writing to the RKE board, either generally or as regards any particular grantee, that the adjustments made by RKE 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 RKE 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 RKE and the grantees. The costs of independent financial adviser or the auditors of RKE shall be borne by RKE.

(r) Lapse of option

Without prejudice to the authority of the RKE 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 RKE 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 RKE 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 RKE;
- (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 RKE 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 RKE or a member of the RKE Group. A resolution of the RKE 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) shall be conclusive and binding on the grantee. Transfer of employment of a grantee from (A) one member of the RKE Group to (B) another member of the RKE Group shall not be considered a termination of employment;
- (vii) where the grantee commits a breach of paragraph (i), the date on which the RKE board shall exercise RKE'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 RKE Share Option Scheme

Those specific provisions of the RKE 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 RKE 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 RKE shareholders under the bye-laws of RKE or a variation of rights attached to the RKE Shares. Any alterations to the terms and conditions of the RKE Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the RKE shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the RKE Share Option Scheme. The amended terms of the RKE 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 RKE board in relation to any alteration to the terms of the RKE Share Option Scheme must first be approved by the RKE shareholders in general meeting.

(t) Cancellation

The RKE 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 RKE 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 RKE 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 RKE 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 RKE 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 RKE Share Option Scheme

RKE may, by ordinary resolution passed at a general meeting of RKE shareholders, or the RKE board may at any time terminate the operation of the RKE Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the RKE 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 RKE Share Option Scheme.

(v) Administration of the RKE board

The RKE Share Option Scheme shall be subject to the administration of the RKE board whose decision as to all matters arising in relation to the RKE Share Option Scheme or its interpretation or effect (save as otherwise provided in the RKE Share Option Scheme) shall be final and binding on all parties.

(w) Conditions of the RKE Share Option Scheme

The RKE Share Option Scheme shall take effect upon:

- (i) the passing of the resolution by the RKE shareholders to approve and adopt the RKE Share Option Scheme, to authorise the RKE board to grant options at their absolute discretion under the RKE Share Option Scheme and to allot and issue RKE 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 RKE 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 RKE Shares in issue on the date of the commencement of dealings in the RKE Shares on the Stock Exchange);
- (iii) the commencement of dealings in the RKE 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 the RKE Share Option Scheme is adopted, the RKE Share Option Scheme shall terminate accordingly, and any option granted or agreed to be granted pursuant to the RKE 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 the RKE Share Option Scheme or any options granted thereunder.

(x) Disclosure in annual and interim reports

RKE will disclose details of the RKE 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.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTEREST

(i) Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules, were as follows:

Name of Directors	Nature of interest	Notes	Number of Shares held		Percentage of holding % (note 3)
			Long position	Short position	
Zen Wei Peu, Derek	Personal	1	17,020,000	—	2.29
Fong Shiu Leung, Keter	Personal	1	400,000	—	0.05
Lam Wai Hon, Patrick	Personal	1	150,000	—	0.02
Lau Sai Yung	Personal	1	605,000	—	0.08
Chow Ming Kuen, Joseph	Personal	1	150,000	—	0.02
Tse Chee On, Raymond	Personal	2	100,000	—	0.01

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrant to subscribe or convertible bonds).
2. Long position in the underlying Shares pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to the Directors are included in this category.
3. The percentage was calculated based on 744,836,566 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Substantial shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the table below lists out the persons (other than the Directors or chief executives of the Company), who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholders	Nature of interest	Number of Shares held		Percentage of holding % (Note 11)
		Long position (Note 1)	Short position	
Wai Kee (Note 2)	Interest in controlled corporation	306,734,428	—	41.18
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	306,734,428	—	41.18
Groove Trading Limited (Note 4)	Beneficial owner	65,918,000	—	8.85
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	237,816,428	—	31.93
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	237,816,428	—	31.93
ZWP Investments Limited (Note 6)	Beneficial owner	237,816,428	—	31.93
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	—	27.16
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	—	27.16
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	—	27.16
Hover Limited (Note 10)	Beneficial owner	202,334,142	—	27.16

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Wai Kee is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely, Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 Shares.
3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee (Zens) Holding Limited.
4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.
5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee China Investments Company Limited.
6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of ZWP Investments Limited.
7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the Shares through its 100% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong).
8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the Shares through its approximately 61.11% interests in Shenzhen Investment Limited.
9. Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Hover Limited.
10. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.
11. The percentage was calculated based on 744,836,566 Shares in issue as at the Latest Practicable Date.

* For identification purpose only

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up).

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As disclosed in the Company's announcement dated 14 March 2017, Power Truth Development Limited, an indirect wholly-owned subsidiary of the Company, entered into an Articles of Agreement dated 14 March 2017 with Build King Construction Limited ("**Build King Construction**"), a wholly-owned subsidiary of Build King Holdings Limited ("**Build King**"), whereby Build King Construction has been appointed as a contractor to perform site formation and substructure works under the Group's residential development project in Yuen Long. As at the Latest Practicable Date, (i) Mr. Zen Wei Pao, William, the chairman of the Board and an executive Director, is also the chairman of the board of directors and an executive director of Wai Kee, the holding company of Build King, and he also held 192,381,843 shares in Wai Kee (representing 24.26% of the issued share capital in Wai Kee); and (ii) Mr. Zen Wei Peu, Derek, an executive Director, is also an executive director of Wai Kee and Build King; and he also held 123,725,228 shares of Build King (representing 9.96% of Build King's issued share capital) and 185,557,078 shares in Wai Kee (representing 23.40% of the issued share capital in Wai Kee). Save as disclosed, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group as a whole.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder).

Name of Directors	Name of entities	Description of principal activities	Nature of interest of the Directors in the entities
Zen Wei Pao, William (Note)	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Lam Wai Hon, Patrick	NWS Holdings Limited and its subsidiaries	Development, operation and management of toll roads in the PRC	Director
Mou Yong	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director

Name of Directors	Name of entities	Description of principal activities	Nature of interest of the Directors in the entities
Dong Fang	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
	Shahe Industrial Co., Ltd.	Property development, investment and management in the PRC	Director

Note: Zen Wei Pao, William is also a director of RKE.

5. DIRECTOR'S SERVICE CONTRACTS

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

6. MATERIAL CONTRACTS

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by the Company or its subsidiaries within the two years preceding the date of this circular and is or may be material:

The asset acquisition agreement dated 30 June 2016 entered into between 蘇州雋宏房地產開發有限公司(Suzhou Junhong Properties Developments Co., Ltd.)*("Suzhou Junhong"), an indirect wholly-owned subsidiary of the Company, as purchaser, and 蘇州南海明珠房地產開發有限公司(Suzhou Nanhai Mingzhu Properties Developments Co., Ltd.)*("Suzhou Nanhai Mingzhu") and 鹽城潤宇商業管理有限公司(Yancheng Runyu Business Management Co., Ltd.)*("Yancheng Runyu"), as vendors, in respect of the sale and purchase of a 4-storey shopping mall located at No. 180, Kaiping Road, Songling Town, Wu Jiang District, Suzhou, Jiangsu Province, the PRC, with an aggregate gross floor area of 37,174 sq.m at a consideration of RMB255,810,000.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

8. EXPERTS AND CONSENT

The following is the qualification of the expert which has given opinions or advice which are contained in, or referred to in, this circular:

* For identification purpose only

Expert	Qualification
Altus Capital Limited	A corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

The above named expert has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above named expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above named expert had no interest in any asset which have been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. GENERAL

- a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- b) The head office and principal place of business of the Company is Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- d) The company secretary is Mr. Fong Shiu Leung, Keter. He is a Certified Practising Accountant in Australia and a fellow of the Hong Kong Institute of Certified Public Accountants, and holds a Bachelor of Arts degree in Accountancy.
- e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including 2 June 2017:

- (a) this circular;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the material contract referred to in the section headed "Material Contracts" in this appendix;
- (d) the annual reports of the Company for the two years ended 31 December 2016;

- (e) the letter from the Independent Financial Adviser;
- (f) the written consent from the Expert referred to under the section headed “Experts and Consent” in this appendix; and
- (g) the draft share option scheme of RKE.

NOTICE OF THE SPECIAL GENERAL MEETING



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting of the Company will be convened and held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 7 June 2017 at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the spin-off of RKE International Holdings Limited (“**RKE**”), a wholly-owned subsidiary of the Company, by way of a global offering and a separate listing of the shares of RKE on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Proposed Spin-off**”) on terms described in the shareholders circular of the Company dated 18 May 2017 (the “**Circular**”) and all documents, agreements and other actions in connection therewith or contemplated thereunder or for the purpose of giving effect thereto (including but not limited to any disposal and deemed disposal of interests in RKE as part of the Proposed Spin-off, the non-competition undertaking as described in the Circular, the underwriting agreements, stock borrowing agreement and cornerstone investment agreement(s) to be entered into in connection with the global offering) be and is hereby approved”.
2. **“THAT** subject to the passing of the resolution number (1), the adoption by RKE of share option scheme (the “**RKE Share Option Scheme**”) on terms described in Appendix II of the Circular be and is hereby approved and the RKE board of directors be and is hereby authorised to issue and allot from time to time such number of shares in the capital of RKE which may fall to be issued and allotted pursuant to the exercise of the options granted under the RKE Share Option Scheme”.

By order of the Board
Road King Infrastructure Limited
Zen Wei Pao, William
Chairman

Hong Kong, 18 May 2017

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

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

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
6. The votes to be taken at the Meeting of the Company by the above notice will be taken by poll.
7. As at the date of this notice, the Board comprises Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek, Ko Yuk Bing and Fong Shiu Leung, Keter as Executive Directors, Messrs. Lam Wai Hon, Patrick (who will retire as a Non-executive Director at the annual general meeting to be held on 18 May 2017), Mou Yong and Dong Fang as Non-executive Directors and Mr. Lau Sai Yung, Dr. Chow Ming Kuen, Joseph, Mr. Tse Chee On, Raymond, Mr. Wong Wai Ho and Mr. Zhang Yongliang as Independent Non-executive Directors.
8. The register of members of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017, both dates inclusive, during which no transfer of Shares will be registered for the purpose of determining the eligibility of the members to attend and vote at the Meeting. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 1 June 2017 for registration.