THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

HUAYU EXPRESSWAY GROUP LIMITED
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUMGREAT INVESTMENTS LIMITED AND (II) PROPOSED GRANT OF SPECIFIC MANDATES

Financial Adviser in relation to Placing	Financial Adviser in valuation to the Acquisition	Independent Financial Adviser to the Independent Board Committee
SAMSUNG SAMSUNG SECURITIES	Hercules Hercules Capital Limited	高銀融資有限公司 GOLDIN FINANCIAL LIMITED

A letter from the Board is set out on pages 4 to 48 of this circular.

A letter from the Independent Board Committee (as defined in this circular) containing its advice to the Independent Shareholders (as defined in this circular) is set out on page 49 of this circular.

A letter from Goldin Financial Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 50 to 68 of this circular.

A notice convening the EGM of the Company to be held at Harbour Room, Orrick, Herrington & Sutcliffe, 43/F, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 15 July 2011 at 11:00 a.m. is set out on pages 175 to 177 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Tricor Investor Services Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

24 June 2011

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the acquisition of 100% equity interest in the Target Company by the Company
"Announcement"	the announcement of the Company dated 12 April 2011
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which banks are generally open in Hong Kong for normal business
"BVI"	British Virgin Islands
"Company"	Huayu Expressway Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Share Purchase Agreement
"Completion Date"	the date of Completion
"Consideration"	the consideration payable in respect of the Acquisition pursuant to the Share Purchase Agreement
"Consideration Shares"	780,000,000 new Shares to be issued and allotted by the Company to the Seller on the Completion Date
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held for the purposes of approving the Acquisition and the Specific Mandates
"Enlarged Group"	the Group and the Target Group
"Goldin Financial"	Goldin Financial Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Law of Hong Kong)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huayu Investment"	深圳華昱投資開發(集團)有限公司 (Shenzhen Huayu Investment & Development Group Company Limited)*
"Independent Board Committee"	The independent committee of the Board established by the Board to advise the Independent Shareholders in respect of the Acquisition and the specific mandate to issue Consideration Share
"Independent Shareholders"	the Shareholders of the Company except for Mr. Chan Yeung Nam and his associates
"Independent Third Parties"	third parties that are independent of the Company and connected persons (as defined under the Listing Rules) of the Company
"km"	kilometer
"Last Trading Day"	12 April 2011, being the last trading day prior to the signing of the Share Purchase Agreement
"Latest Practicable Date"	23 June 2011, being the latest practicable date prior to the printing of this circular, for the purpose of ascertaining information contained therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2011 (or such later date as the Seller and the Company may agree)
"PRC" or "China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Placing"	a proposed placing of the ordinary shares of HK$0.01 each in the capital of the Company
"Placing Shares"	shares to be issued under the Placing
"Sale Share"	one (1) ordinary share of US$1.00 representing the entire issued share capital of the Target Company and legally and beneficially owned by Chan Yeung Nam
"Seller" or "Mr. Chan"	Mr. Chan Yeung Nam

"SFO"	Securities and Futures Ordinance
"Share Purchase Agreement"	the share purchase agreement entered into on 12 April 2011 between the Seller and the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Specific Mandates"	specific mandates to be considered, and, if thought fit, granted by the Shareholders to the Board to (i) issue the Consideration Shares; and (ii) issue the Placing Shares, and each of them a "Specific Mandate"
"Sui-Yue Expressway"	Suizhou-Yueyang Expressway* (隨州至岳陽高速公路), the 361 km expressway running from Suizhou in Hubei Province to Yueyang in Hunan Province, which is currently under construction and development
"Target Company"	Sumgreat Investments Limited, a limited company incorporated in the BVI
"Target Group"	the Target Company and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"VIL"	Velocity International Limited, a limited liability company incorporated on 3 April 2003 in the BVI, the controlling Shareholder and is wholly owned by Mr. Chan Yeung Nam
"%"	per cent.

The English translation of company names in Chinese which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only. If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

HUAYU EXPRESSWAY GROUP LIMITED
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1823)

Executive Directors:
Mr. CHAN Yeung Nam *(Chairman)*
Mr. MAI Qing Quan
Mr. CHEN Kai Shu
Mr. FU Jie Pin
Mr. CHEN Min Yong
Mr. ZHANG Bo Qing
Mr. YUE Feng
Ms. MAO Hui

Independent non-executive Directors:
Mr. SUN Xiao Nian
Mr. CHU Kin Wang, Peleus
Mr. HU Lie Ge

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681,
Grand Cayman KY1-1111
Cayman Islands

Principal place of Business in Hong Kong:
Unit no. 1802 on 18/F of West Tower
Shun Tak Centre
168-200 Connaught Road, Central
Hong Kong

24 June 2011

To the Shareholders,

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUMGREAT INVESTMENTS LIMITED AND (II) PROPOSED GRANT OF SPECIFIC MANDATES TO ISSUE NEW SHARES

1. INTRODUCTION

It was announced that on 12 April 2011, after trading hours, the Company entered into the Share Purchase Agreement with the Seller to acquire the Sale Share, being the entire issued share capital of the Target Company. The Consideration for the Acquisition is HK$1,000,000,000 and shall be satisfied entirely by the allotment and issue of 780,000,000 Consideration Shares at an issue price of HK$1.28 per Consideration Share. The Consideration Shares represent approximately 65.40% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Upon issuance, the Consideration Shares will rank pari passu with all the then existing Shares in issue. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

On 12 April 2011, the Board also announced that, in order to fulfill one of the conditions under the Share Purchase Agreement, the Company intends to issue and place to Independent Third Parties approximately 780,000,000 new Shares at a price of approximately HK$1.28 per Placing Share, which will be subject to approval by Shareholders. In this regards, the Directors propose to put forward the proposed Specific Mandate to issue Placing Shares for Shareholders' approval at the EGM.

As all of the applicable percentage ratios under Chapter 14 of the Listing Rules exceeded 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

In addition, Mr. Chan is an executive Director of the Company and the chairman of the Board. As at the date hereof, Mr. Chan is interested in the entire issued share capital of VIL which holds approximately 72.71% of the issued share capital of the Company as at the date of this circular. Accordingly, Mr. Chan is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13(b) of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders requirements under Chapter 14 of the Listing Rules. Mr. Chan and his associates, including VIL, are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll.

The purpose of this circular is:

1. to provide you with further information regarding the Acquisition and the proposed grant of Specific Mandates;

2. to provide you with information on the business valuation of the Target Group;

3. to set out the advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders and to set out the recommendation and opinion of the Independent Board Committee both in respect of the Acquisition and the proposed grant of Specific Mandates; and

4. to give you notice of the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Acquisition and the grant of Specific Mandates.

2. THE ACQUISITION

Date: 12 April 2011, after trading hours.

Parties:

(1) Mr. Chan Yeung Nam as the seller; and

(2) the Company as the purchaser.

Subject: Pursuant to the Share Purchase Agreement, the Company agreed to purchase and the Seller agreed to sell the Sale Share, representing the entire issued share capital of the Target Company.

Consideration:

The Consideration payable by the Company to the Seller pursuant to the Share Purchase Agreement is HK$1,000,000,000, which shall be satisfied by the allotment and issue of 780,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at an issue price of HK$1.28 per Consideration Share, credited as fully paid, to the Seller on the Completion Date.

The Consideration was determined based on arm's length negotiation between the parties thereto taking into account, among other things, the investment costs of the existing projects in operation and under construction held by members of the Target Group and their business potentials. The original purchase/investment cost of the 100% interest in the Target Company paid by Mr. Chan was RMB660,000,000 which represents the aggregate registered and paid up capital of all the PRC subsidiaries within the Target Group.

Conditions Precedent:

Completion of the Share Purchase Agreement is conditional upon:

(a) the Company having completed its due diligence review of the operations, legal and financial affairs of the Target Group and having confirmed that it is satisfied with such review in all material respects;

(b) the obtaining of all consents required for the entering into or the implementation or Completion of the Share Purchase Agreement by the Company, the Seller and/or any companies within the Target Group or for the performance of their respective obligations under the Share Purchase Agreement, including, without limitation, the consents (if appropriate or required) of the Independent Shareholders, the Seller and/or the Target Group (if applicable), the Stock Exchange and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, or elsewhere which are required or appropriate for the entering into and the implementation of the Share Purchase Agreement having been made;

(c) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) from a firm of PRC legal advisers appointed by the Company in relation to the Share Purchase Agreement and the transactions contemplated thereunder, including but not limited to the due incorporation and property interests of each of the company within the Target Group established in the PRC and such other matters as may be reasonably required by the Company;

(d) the approval of Independent Shareholders having been obtained at a duly convened shareholders' meeting of the Company approving the Share Purchase Agreement and the transactions contemplated thereunder, including the sale and purchase of the Sale Share and the issue and allotment of the Consideration Shares;

(e) the approval of Shareholders having been obtained at a duly convened shareholders' meeting of the Company approving the grant of a specific mandate to issue the new Shares to be issued under the Placing;

(f) the approval of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange being obtained;

(g) the Company having successfully raised not less than HK$1,000,000,000 from the Placing; and

(h) the Company continuing to meet the minimum public float requirement under the Listing Rules immediately after Completion and upon issue of Consideration Shares.

Completion shall take place on the third Business Day (or such other dates as the parties may agree) following the satisfaction (or waiver) of all of the conditions precedent set out above. The Company shall use reasonable endeavours to procure the fulfilment of conditions (a), (b), (d), (e), (f) and (g), and the Seller shall use best endeavours to procure the fulfilment of conditions (b) and (c), as soon as practicable. The Company may, at its absolute discretion, waive conditions (a). The Seller is not entitled to waive any condition. If any of the conditions is not satisfied (or, where appropriate, waived) on or before the Long Stop Date, the Share Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

A. Reasons for and benefits of the Acquisition

The Target Group currently has two infrastructure projects, namely the Shuiguan Expressway and Shuiguan Expressway Extension Line, which are both already in operation and revenue generating. It is also receiving fees for provision of project management services in respect of the Shahe Road Project and the Hengping Road Project. As such, it is expected that the Acquisition will enable the Company to derive immediate substantial earnings and cash flow contribution from it. In addition, it is expected that two further infrastructure projects which are currently under construction by the Target Group, namely the Shenzhen Qingping Expressway and Shenzhen Eastern Expressway, will be in operation by 2013 and 2014 respectively and will contribute additional cash flow to the Group.

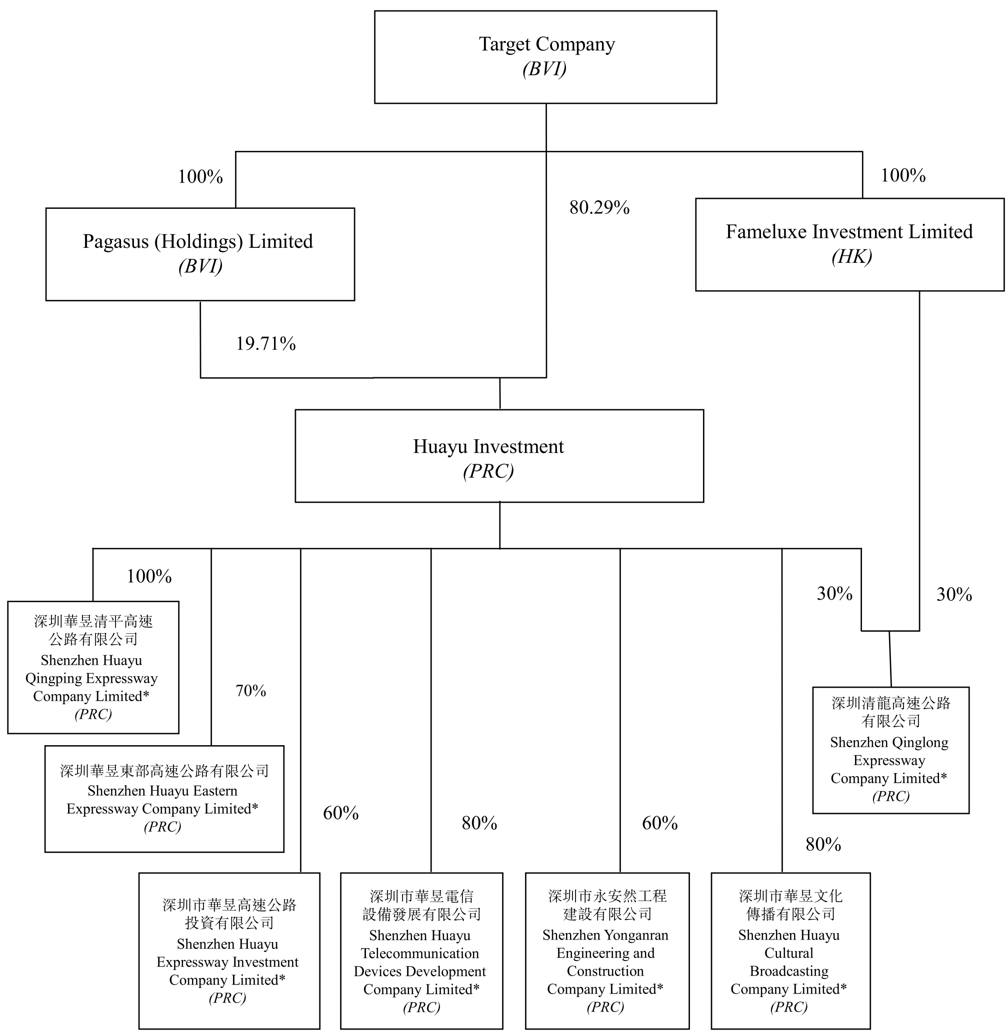
Further, the Directors are of the view that the Acquisition is in line with the business strategy of the Company to pursue other infrastructure projects in China either by way of acquisition or capitalize on new opportunities. The Directors are optimistic about the development potential of the Target Group and believe that the Acquisition will enhance the Company's competitiveness, further strengthen the Company's reputation within the industry and improve its overall financial performance.

Having considered the abovementioned reasons and benefits of the Acquisition together with the current financial position of the Company, the Directors are of the view that the terms of the Share Purchase Agreement are normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

B. Information on the Target Group

The Target Company is a limited company incorporated in the BVI on 7 July 2006. As at the date of this circular, the Target Company has an authorized share capital of US$50,000 divided into 50,000 shares of US$1.0 each; and one share was issued and allotted and is fully paid or credited as fully paid.

The Target Company is the holding company of a group of ten companies which are principally engaged in the business of investment, building, operating and management of large-scale infrastructure projects in the PRC. The following diagram illustrates the shareholding structure of the Target Group:



The table below sets out details of the projects undertaken by the Target Company's key operating subsidiaries:

Name	Description of its existing project/principal business	Interest held by the Target Group	Date of acquisition/ incorporation
Huayu Investment	Huayu Investment is an investment holding company which also engages in the provision of project management services. It is currently involved in three projects: (1) Huayu Investment is engaged by Shenzhen Longgang District Land Reserve Development Centre (深圳市龍崗區土地儲備開發中心) to manage the construction of a road linking Bujisha Wan (布吉沙灣) to Baohe Road (宝荷路) in the Longgang district (龍崗區) in Shenzhen ("Shahe Road Project"). (2) Huayu Investment is engaged by Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) to manage the construction of a section of Hengping Road of approximately 27 km ("Hengping Road Project"). (3) Huayu Investment is engaged by Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) to manage the construction of a passageway linking Yinhe Road to Hengping Road ("Yinhe Road project "). Huayu Investment also owns 10% interest of the Sui-Yue Expressway (Hunan Section), which is the only project currently owned by the Group.	Approximately 80.29% held by the Target Company and approximately 19.71% held by Pagasus (Holdings) Limited	Incorporated by Mr. Chan and his family members on 22 July 1993
深圳華昱東部高速公路有限公司 (Shenzhen Huayu Eastern Expressway Company Limited)*	Building and operation of an expressway linking Liantang Port (蓮塘口岸) ("Shenzhen Eastern Expressway") to the intersection of Shenhui and Shenshan expressway (深惠與深汕高速公路交匯處) in Shenzhen.	70% held by Huayu Investment	15 June 2009

Name	Description of its existing project/principal business	Interest held by the Target Group	Date of acquisition/ incorporation
深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited)*	Building and operation of an expressway ("Shuiguan Expressway") linking Xinbulong Road (新布龍路) in Buji Town (布吉鎮) to Zhongxin Cheng (中心城) in Longgang District (龍崗區), operated and managed by Shenzhen Qinglong Expressway Company Limited, a limited liability company established in the PRC and in which Huayu Investment and Fameluxe Investment Limited collectively hold 60% interest.	30% held by Huayu Investment 30% held by Fameluxe Investments Limited	15 January 2001
深圳市華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited)*	Building and operation of an extension line ("Shuiguan Expressway Extension Line") linking Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站) to the Bulong Interchange (布龍立交) on the Shuiguan Expressway, operated and managed by Shenzhen Huayu Expressway Investment Company Limited, a limited liability company established in the PRC and in which Huayu Investment holds 60% interest.	60% held by Huayu Investment	18 January 2002
深圳華昱清平高速公路有限公司 (Shenzhen Huayu Qingping Expressway Company Limited)*	Building and operation of an expressway linking the end of the Shuiguan Expressway Extension Line at Bulong/Longjing Interchange (布龍／龍井立交) in Shenzhen to Dongguan Gaoerfu Road (東莞高爾夫大道) in Dongguan ("Shenzhen Qingping Expressway")	100% held by Huayu Investment	21 January 2009
深圳市華昱電信設備發展有限公司 (Shenzhen Huayu Telecommunication Devices Development Company Limited)*	Trading of telecommunication devices and provision of telecommunication engineering services	80% held by Huayu Investment	4 November 1994

Name	Description of its existing project/principal business	Interest held by the Target Group	Date of acquisition/ incorporation
深圳市永安然工程建設有限公司 (Shenzhen Yonganran Engineering and Construction Company Limited)*	No active business activities at present	60% held by Huayu Investment	24 December 2003
深圳市華昱文化傳播有限公司 (Shenzhen Huayu Cultural Broadcasting Company Limited)*	No active business activities at present	80% held by Huayu Investment	17 November 1994

As disclosed in Appendix II, for the two financial years ended 31 December 2010, the combined net profits of the Target Group before and after tax of the Target Group are as follows:

	For the year ended 31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Combined profit before tax	334,407	233,706
Combined profit after tax	242,577	170,516
Combined profit after tax attributable to the equity shareholders of the Target Group	120,302	69,962

As at 31 December 2010, the combined net asset value of the Target Group is approximately HK$646.2 million. The combined financial information are prepared using the merger basis of accounting in accordance with Accounting Guideline 5, Merger Accounting for Common Control Combinations issued by Hong Kong Institute of Certified Public Accountants.

C. Management discussion and analysis on the Target Group

BUSINESS REVIEW

The Target Group commenced its business from the incorporation of Huayu Investment in 1993. It is now mainly engaged in the business of investment, building, operating and management of large-scale infrastructure projects in the PRC.

CONCESSION PROJECTS

The Target Group currently has four infrastructure projects, two are already in operation and revenue generating and the other two are currently under construction. As confirmed by the Company's legal adviser as to PRC law, in accordance with the relevant concession agreement or approval document, the change of control of the Target Group will not affect the concession rights in respect of the projects owned by the Target Group. Details of such projects are set out as follows:

Shuiguan Expressway

The project company undertaking the construction, operation and management of Shuiguan Expressway is Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司, formerly known as 深圳龍城星源實業有限公司) ("Shenzhen Qinglong"), The equity interest in Shenzhen Qinglong is owned as to 60% by the Target Group and 40% by Shenzhen Expressway Co., Ltd. ("Shenzhen Expressway"), a company listed on the main board of the Stock Exchange.

Shuiguan Expressway starts from Xinbulong Road (新布龍路) at Buji Town (布吉鎮) and ends at Zhongxin Cheng (中心城) in Longgang District (龍崗區) of Shenzhen. Shuiguan Expressway is a ten-lane divided (5 lanes in each direction) expressway with a design speed of 80km per hour. It has a total length of approximately 20.14km. It was opened to traffic in December 2001. Its average daily traffic for the year ended 31 December 2010 was approximately 132,000 vehicles and total toll revenue was approximately RMB448.9 million for the year ended 31 December 2010.

The investment cost of Shuigang Expressway is approximately RMB2,100 million, which has been fully paid.

Due to its long history, Shenzhen Qinglong's concession right in the Shuiguan Expressway project was not granted pursuant to any concession agreement, but was derived under a series of government approval documents, including, among others, an approval document dated 13 October 2000 titled Shen Long Fu Fu [2000] No. 24 (深龍府復[2000]24號) issued by the People's Government of Longgang District of Shenzhen. Upon expiry of the concession right, Shenzhen Qinglong is required to transfer the right to operate and all fixed assets and/or land titles associated with Shuiguan Expressway Extension Line to the district government for nil consideration. It has a remaining concession period of 15 years before its expiry on 31 December 2026.

Shuiguan Expressway Extension Line

Shuiguan Expressway Extension Line links the Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站) and the Bulong Interchange (布龍立交) on the Shuiguan Expressway. It is a six-lane expressway (3 lanes in each direction) with a total length of 5.25km and was opened to traffic in July 2005. Its average daily traffic for the year ended 31 December 2010 was approximately 40,000 vehicles and total toll revenue was approximately RMB91.5 million for the year ended 31 December 2010.

The investment cost of Shuiguan Expressway Extension Line is approximately RMB600 million, which has been fully paid.

Huayu Investment entered into a concession agreement with the People's Government of Longgang District of Shenzhen dated 24 December 2001, pursuant to which Huayu Investment was granted an exclusive right to invest, design and construct Shuiguan Expressway Extension Line, and to operate, manage and maintain Shuiguan Expressway Extension Line and its associated toll facilities. The concession agreement provides that Huayu Investment shall establish a project company and upon establishment of such project company, all rights and obligations of Huayu Investment in respect of the Shuiguan Expressway Extension Line project under the concession agreement shall be transferred to such project company. The project company established to undertake the construction, operation and management of Shuiguan Expressway Extension Line is Shenzhen Huayu Expressway Investment Company Limited* (深圳市華昱高速公路投資有限公司) ("Huayu Expressway Investment"). The equity interest in Huayu Expressway Investment is owned as to 60% by the Target Group and 40% by Shenzhen Expressway. Huayu Expressway is prohibited from transferring any of its rights and obligations in Shuiguan Expressway Extension Line to other third parties without approval of the People's Government of Longgang District of Shenzhen. The concession agreement may be terminated upon expiration of the concession period, or upon early termination due to events of force majeure, or upon early termination by either party in the event of default of the other party as defined in the concession agreement.

Upon termination of the concession agreement, Shenzhen Qinglong is required to transfer the right to operate and all fixed assets and/or land titles associated with Shuiguan Expressway Extension Line back to the responsible governmental authorities for nil consideration. It has a remaining concession period of 15 years until its expiry in 31 December 2026.

Shenzhen Qingping Expressway

Shenzhen Qingping Expressway links the end of the Shuiguan Expressway Extension Line at Bulong/Longjing interchange in Shenzhen (布龍／龍井立交) to Dongguan Gaoerfu Road (東莞高爾夫大道) in Dongguan. It is designed as a six-lane divided expressway (3 lanes in each direction) with a design speed of 80km per hour with a total length of approximately 12.7km. Shenzhen Qingping Expressway is currently under construction. Based on the current construction status, the Directors are of the view that the construction plan can be fulfilled and Shenzhen Qingping Expressway will be able to commence operation in 2013. The concession period is expected to be 25 years, which is still subject to the final approval of the relevant authority as of the Latest Practicable Date.

The investment cost of Shenzhen Qingping Expressway is expected to be approximately RMB1.74 billion. As at 31 December 2010, approximately RMB880 million have been paid, of which approximately RMB455 million was contributed by the Target Group and approximately RMB425 million was financed by bank loans. The outstanding investment of approximately RMB860 million has not been paid by the Seller nor had the Seller agreed to bear such investment costs, and the Company will be responsible for the remaining portion of the investment upon completion of the Acquisition.

The Directors propose that, after Completion of the Acquisition, out of the outstanding investment of approximately RMB860 million, approximately RMB10 million will be satisfied by internal resources of Company and the remaining approximately RMB850 million will be financed by bank loans. Shenzhen Huayu Qingping Expressway Company Limited has obtained a banking facility from the Bank of Communication Shenzhen Branch of an amount of approximately RMB1,178 million for the construction of the Shenzhen Qingping Expressway in November 2010, out of which RMB425 million has been drawn down as at 31 December 2010. Whilst the remaining portion of the banking facility of approximately RMB753 million is less than the approximately RMB850 million expected to be financed by bank loans, given that (i) part of the outstanding investment such as retention money will not be payable until after completion of the construction; and (ii) it is common practice for banks to extend banking facilities to infrastructure companies only when a significant portion has been drawn down, and the Directors do not expect there will be any difficulties in extending the said banking facility if necessary, the Directors believe that there will be sufficient funds for the Company to complete the construction work of Shenzhen Qingping Expressway.

The above outstanding investment has not been taken into account in the determination of the Consideration nor has it been included in the capital commitment table on page 25 as only capital commitment contracted for will be included in such table. In the event that the expected investment is exceeded after completion, the Group will be responsible for contribution of further investment.

Huayu Investment entered into a concession agreement with the People's Government of Longgang District of Shenzhen dated 13 September 2004, pursuant to which Huayu Investment was granted an exclusive right to invest, design and construct Shenzhen Qingping Expressway, and to operate, manage and maintain Shenzhen Qingping Expressway and its associated toll facilities. The concession agreement provides that Huayu Investment shall establish a project company and upon establishment of such project company, all rights and obligations of Huayu Investment in respect of the Shenzhen Eastern Expressway project under the concession agreement shall be transferred to such project company. The project company established to undertake the construction, operation and management of Shenzhen Qingping Expressway is Shenzhen Huayu Qingping Expressway Company Limited* (深圳華昱清平高速公路有限公司) ("Huayu Qingping"). The equity interest in Huayu Qingping is held as to 100% by the Target Group. Huayu Investment is prohibited from transferring any of its interest in Shenzhen Qingping Expressway to other third parties without approval of the People's Government of Longgang District of Shenzhen. The concession agreement may be terminated upon expiration of the concession period, or upon early termination due to the impact of force majeure, or upon early termination by either party in the event of default of the other party as defined in the concession agreement.

Upon termination of agreement, Huayu Qingping is required to transfer the right to operate and all fixed assets and/or land titles associated with Shenzhen Qingping Expressway back to the responsible governmental authorities for nil consideration.

Shenzhen Eastern Expressway

Shenzhen Eastern Expressway links the Liantang Port (蓮塘口岸) to the intersection of Shenhui and Shenshan Expressway (深惠與深汕高速公路交滙處) in Shenzhen. Shenzhen Eastern Expressway is designed as a six-lane divided expressway (3 lanes in each direction) with a design speed of 80km per hour with a total length of 32.8km. Shenzhen Eastern Expressway is currently under construction. Based on the current construction status, the Directors are of the view that the construction plan can be fulfilled and Shenzhen Eastern Expressway will be able to commence operation in 2014. The concession period is expected to be 28 years, which is still subject to final approval of the relevant authorities as of the Latest Practicable Date.

The investment cost of Shenzhen Eastern Expressway is expected to be approximately RMB5.8 billion. As at 31 December 2010, the Target Group had invested approximately RMB604 million in Shenzhen Eastern Expressway. The outstanding investment of approximately RMB5.2 billion has not been paid by the Seller nor had the Seller agreed to bear such investment costs, and the Company will be responsible for the remaining portion of the investment upon completion of the Acquisition.

The Directors propose that, after Completion of the Acquisition, out of the outstanding investment of approximately RMB5.2 billion, approximately RMB843 million (of which the Target Group is only responsible for 70% in view of its 70% interest in Shenzhen Huayu Eastern Expressway Company Limited will be satisfied by internal resources of the Company and the remaining approximately RMB4.4 billion will be financed by bank loans. Given that Shenzhen Huayu Eastern Expressway Company Limited has obtained a banking facility from a consortium of banks leaded by the China Development Bank, a bank loan of an amount of approximately RMB4.5 billion for the construction of the Shenzhen Eastern Expressway in December 2009, together with the proceeds under the Placing and the internal resources of the Company, Directors believe that there will be sufficient funds for the Company to complete the construction work of Shenzhen Eastern Expressway.

The outstanding investment has not been taken into account in the determination of the Consideration nor has it been included in the capital commitment table on page 25 as only capital commitment contracted for will be included in such table. In the event that the expected investment is exceeded after completion, the Group will be responsible for contribution of further investment.

Huayu Investment entered into a concession agreement with Shenzhen Development and Reform Bureau and Shenzhen Transportation Bureau dated 8 December 2008, pursuant to which Huayu Investment was granted an exclusive right to invest, design and construct Shenzhen Eastern Expressway, and to operate, manage and maintain Shenzhen Eastern Expressway and its associated toll facilities. The concession agreement provides that Huayu Investment shall establish a project company and upon establishment of such project company, all rights and obligations of Huayu Investment in respect of the Shenzhen Qingping Expressway project under the concession agreement shall be transferred to such project company. The project company established to undertake the construction, operation and management of Shenzhen Eastern Expressway is Shenzhen Huayu Eastern Expressway Company Limited* (深圳華昱東部高速公路有限公司) ("Huayu Eastern"). The equity interest of Huayu Eastern is held as to 70% by the Target Group and 30% by Shenzhen Lianhe Xingye Investment Corporation* (深圳市聯合興業投資股份有限公司) an independent third party. Huayu Investment is prohibited from transferring any of its interest in Shenzhen Eastern Expressway to other third parties without approval of Shenzhen Development and Reform Bureau and Shenzhen Transportation Bureau. The concession agreement may be terminated upon expiration of the concession period, or upon early termination due to the impact of force majeure, or upon early termination by either party in the event of default of the other party as defined in the concession agreement.

Upon termination of agreement, Huayu Eastern is required to transfer the right to operate and all fixed assets and/or land titles associated with Shenzhen Eastern Expressway back to the responsible governmental authorities for nil consideration.

CONSTRUCTION PROJECTS

In addition to building, operating and management of infrastructure projects, the Target Group is also engaged to provide project management services. Details of the projects that the Target Group is currently engaged in the provision of project management services are as follows:

Shahe Road Project

The project company undertaking the construction and management of the Shahe Road project is Huayu Investment. The equity interest of Huayu Investment is held as to 100% by the Target Group.

Shahe Road links Buji Shawan (布吉沙灣) and Longgang District Baohe Road (龍崗區寶荷路). It is designed as a 6-lane divided road (3 lanes in each direction) with a design speed of 60km per hour with a total length of 17.1km. The Shahe Road is currently under construction and is expected to complete by October 2011 according to the construction plan provided by the Target Group.

Project construction

Pursuant to a project construction and management agreement dated 5 August 2004 entered into between Huayu Investment and Shenzhen Longgang District Land Reserve Development Centre (深圳市龍崗區土地儲備開發中心) ("Longgang Land Reserve Centre"), Huayu Investment was engaged to construct Shahe Road at an estimated cost of RMB500 million (tentative) (and to manage the construction thereof) for a fee of 5% of the total estimated cost of the project, provided that the services meet the standard specified in the project construction and management agreement. If Huayu Investment fails to perform its obligations under the terms of the project construction and management agreement and causes delay to the project, increase in investment or failure to meet required technical requirements, Huayu Investment shall be responsible for the loss associated. In addition, Huayu Investment may be required to make compensatory payments to Longgang Land Reserve Centre in the following circumstances:

(a) If the project cannot be completed according to the schedule specified in the project construction and management agreement without reasonable cause, Huayu Investment shall pay to Longgang Land Reserve Centre RMB 20,000 per day for each day of delay from the second day after the scheduled completion date.

(b) If the project fails to satisfy the overall quality requirements, Huayu Investment shall pay compensatory damages in the amount of RMB 5 million to Longgang Land Reserve Centre.

(c) Prior to the completion of construction of the project, Huayu Investment shall not, without reasonable cause, delay in making payments to the suppliers or sub-contractors. For each such discovered and confirmed delay in payment, RMB100,000 shall be payable by Huayu Investment.

(d) If, due to improper project management, the project fails to meet the requirements of civilized construction at the project site, upon inspection and confirmation from the relevant authority responsible for construction administration, Longgang Land Reserve Centre may require Huayu Investment to pay compensatory damages of RMB10,000 per incident, and Huayu Investment shall also be responsible for the resulting environmental damages and the losses suffered by relevant parties.

(e) Upon the occurrence of major accidents or severe injuries, apart from bearing all direct losses resulting from such accidents or injuries, Longgang Land Reserve Centre may require Huayu Investment to pay compensatory damages of RMB200,000.

The Company has not incurred any liability to pay any abovementioned compensatory payment as at the Latest Practicable Date. As the management of the Company has considerable experience in monitoring the construction of infrastructure projects, they will monitor closely the construction process in order to minimize the risk of incurring the abovementioned liabilities.

Pursuant to the terms of the project construction and management agreement, Longgang Land Reserve Centre shall be responsible for the construction, the capital raising, project supervision and coordination of the Shahe Road project. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Shahe Road project.

Hengping Road Project

The project company undertaking the construction and management of the Hengping Road project is Huayu Investment. The equity interest of Huayu Investment is held as to 100% by the Target Group.

Hengping Road links Shuiguan Express Hengping Exit (水官高速橫坪出口) and Longgang Road no.15 (龍崗15號路). It is designed as a 6-lane divided road (3 lanes in each direction) with a design speed of 60km per hour with a total length of 50.37km. The main line of the Hengping Road (section A) has been opened to traffic from February 2009 and the ancillary line is currently under construction and is expected to complete by 2012 according to the construction plan provided by the Target Group.

Project construction

Pursuant to a project construction and management agreement dated 12 March 2004 entered into between Huayu Investment and Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) ("Longgang Expressway Bureau") Huayu Investment was engaged to construct a section of Hengping Road of approximately 27km at total contract price of approximately RMB1,115 million, which was determined by reference to the estimated cost as calculated by the relevant authorities minus a certain percentage of discount, Huayu Investment will be able to retain all profit if the total cost incurred is less than the contract price, and will bear all the loss if the total construction cost exceeds the contract price.

In addition, Huayu Investment may be required to make compensatory payments to the Longgang Expressway Bureau in the following circumstances:

(a) If the project cannot be completed according to the schedule specified in the project construction and management agreement without reasonable cause, Huayu Investment shall pay to Longgang Expressway Bureau RMB 10,000 per day for each day of delay after the scheduled completion date.

(b) If the project fails to satisfy quality requirements, Huayu Investment shall pay compensatory damages in the amount of RMB 500,000 to Longgang Expressway Bureau.

(c) Upon the occurrence of major accidents or severe injuries , apart from bearing all direct losses resulting from such accidents or injuries, Longgang Expressway Bureau may require Huayu Investment to pay compensatory damages of not more than RMB500,000 per accident.

The Company has not incurred any liability to pay any abovementioned compensatory payment as at the Latest Practicable Date. As the management of the Company has considerable experience in monitoring the construction of infrastructure projects, they will monitor closely the construction process in order to minimize the risk of incurring the abovementioned liabilities.

Pursuant to the terms of the project construction and management agreement, Longgang Expressway Bureau shall be responsible for the construction, the capital raising, project supervision and coordination of the Hengping Road project. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Hengping Road project.

FINANCIAL REVIEW

Turnover

For the 3 years ended 31 December 2010, turnover of the Target Group increased substantially year by year. The turnover of the Target Group for the years ended 31 December 2008, 2009 and 2010 were approximately HK$460.1 million, HK$1,010.9 million and HK$2,098.8 million respectively.

One of the major sources of income included in the turnover of the Target Group, is the toll fee revenue from the operating toll road projects, Shuiguan Expressway and Shuiguan Expressway Extension Line. The total gross toll revenue received for the year ended 31 December 2008, 2009 and 2010 were approximately HK$407.9 million, HK$511.7 million and HK$602.3 million respectively. The increases over the years were mainly due to increased traffic demand induced by the rapid economic growth in the Shenzhen area. According to the government of Shenzhen, in 2010, the GDP of Shenzhen reached approximately RMB951.1 billion, representing a compound annual growth rate of approximately 13.9% from 2005 to 2010. In 2010, the annual growth of the volume of possession of civil motor vehicles in Shenzhen reached approximately 1.67 million vehicles, representing a compound annual growth rate of approximately 16.3% from 2005 to 2010.

In addition to operation and management of infrastructure projects, the Target Group also earns revenue from its provision of project management services. For the years ended 31 December 2008, 2009 and 2010, the project management fee income were approximately HK$52 million, HK$54 million and HK$30.8 million respectively. The project management fee income for the year ended 31 December 2008 was mainly derived from the Hengping Road project. For the year ended 31 December 2009, project management fee income was derived from both the Hengping Road project and Shahe Road project. For the year ended 31 December 2010, as the construction work for Hengping Road project was close to completion, a substantial amount of revenue came from project management fee derived from Shahe Road project.

Apart from the two major projects mentioned above, the Target Group was also engaged for the provision of project management services to one small scale infrastructure project, namely the Yinhe Road project in Longgang District, Shenzhen pursuant to a management agreement dated 20 October 2008 entered into between Huayu Investment and Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局), a government authority of Shenzhen. For the three years ended 31 December 2008, 2009 and 2010, the project management service fee received from the Yinhe Road project was approximately HK$1.3 million, HK$0.7 million and HK$70,000, respectively. The material terms of the relevant project construction and management agreement for the Yinhe Road project were similar to the terms of the project construction and management agreements for the Shahe Road Project and the Hengping Road Project.

Revenue is also derived from construction work and management services under service concession agreements. For the years ended 31 December 2009 and 2010, the revenue from the provision of management services under the service concession arrangement were HK$445.0 million and HK$1,464 million respectively. The Target Group has no such revenue for the year ended 31 December 2008. This revenue has no real cash inflow realized/realizable during the construction period, and is mainly revenue derived from the work and services provided for the construction of Shuiguan Expressway extension project which is expected to be completed in 2011.

Cost of sales and gross profit

Cost of sales of the Target Group for the 3 years ended 31 December 2008, 2009 and 2010 were approximately HK$117.8 million, HK$581.3 million and HK$1,614.4 million respectively. It represents mainly the depreciation charges and salaries and wages for the toll road operation, the salary and office expenses for the respective management services projects and the construction cost of the relevant toll road projects which were under construction. The amount of cost of sales increased year by year in line with the jump in revenue.

For the 3 years ended 31 December 2008, 2009 and 2010, the gross profits of the Target Group were approximately HK342.3 million, HK$429.5 million and HK$484.4 million respectively. The respective gross profit percentage was about 74%, 42% and 23% respectively. The gross profit percentage decreased from that of year ended 31 December 2008 to that of year ended 31 December 2010 was mainly because of the change of composition of the three kinds of income through the years. In 2008, over 90% of the income came from the toll road business which has the highest gross profit percentage. However, in 2010, about 70% of the income of the Target Group came from the construction work and project management services under the service concession arrangement from which the Target Group which only earns a nominal amount of gross profit, at about 1-2%.

Income associated with construction work and project management are dependent on the service concession arrangements. Due to the fact that there is no real cash inflow realised/realisable during the construction phase of the infrastructure assets under the service concession arrangement, in order to determine the construction revenue to be recognised during a certain period, the directors of the Target Group will make estimates of the respective amounts by reference to the management service fees derived from provision of project management services, without taking into account the grant of the related toll road operating rights and entitlement to future toll revenues. The recognition of such revenue is in accordance with the HKGAAP.

As the expansion project was underway for the Shuiguan Expressway in 2010, there was an increase in recognizable income. It is expected that the revenue from construction work and project management services under the service concession arrangement will cease to be recognised upon the completion of the construction of the toll roads.

Other revenue and other net loss

The Target Group recorded other revenue of approximately HK$36.2 million, HK$8.9 million and HK$17.1 million for the 3 years ended 31 December 2008, 2009 and 2010 respectively. Other revenue of the Target Group mainly consists of interest income from banks and rental income of the advertising places along its toll roads.

Other loss of the Target Group for the 3 years ended 31 December 2008, 2009 and 2010 were approximately HK$10.8 million, HK$6.5 million and HK$4.7 million. Other loss mainly represented the donation to the relevant charity organisations.

Administrative expenses

Administrative expenses increased from approximately HK$56.1 million for the year ended 31 December 2008 to approximately HK$58.5 million for the year ended 31 December 2009 and was mainly due to the expansion of business of the Target Group. The administrative expenses decreased by 38.4% to approximately HK$36.0 million for the year ended 31 December 2010 after taking some effective cost saving measures, such as cutting headcount, etc.

Income tax

Among the Target Group, 3 members are paying PRC income tax, the Huayu Investment, Shenzhen Qinglong Expressway Company Limited and Shenzhen Huayu Expressway Investment Company Limited. Shenzhen Qinglong Expressway Company Limited was awarded tax reduction for the year ended 31 December 2008. The income tax rate for that year was 9%. Therefore, the effective tax rate of the Target Group for the year ended 31 December 2008 was about 13%. The effective tax rate for both years ended 31 December 2009 and 2010 were about 27%.

Profit for the year

The Target Group recorded profit of approximately HK$155.6 million, HK$170.5 million and HK$242.6 million, respectively for the three years ended 31 December 2008, 2009 and 2010. The growth of the profit in both 2009 and 2010 was mainly attributable by the increase in the toll fee income from operating toll road projects, namely Shuiguan Expressway and Shuiguan Expressway Extension Line arising from the increase in traffic volume.

The increase in toll fee income of the Target Group was primarily due to the increase of the traffic volume in Shenzhen.

The increase of toll fee requires approval from the respective Provincial government after joint review and approval by the Provincial Price Bureau and the respective Provincial Transaction Department. The respective government authorities will consider the factors, including traffic flow, construction costs of the expressways, inflation rate, loan repayment terms and affordability of the public, when granting such approval.

Liquidity and Financial Resources

During the three years ended 31 December 2008, 2009 and 2010, the Target Group financed its operations and capital expenditures by the owners' capital and long-term bank loans. As at 31 December 2008, 2009 and 2010, total bank loan drawn by the Target Group were about HK$2,140 million, HK$3,791 million and HK$3,357 million, respectively, and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately HK$468.2 million, HK$1,058.6 million and HK$524.2 million, respectively. The funds from long term bank loans of the Target Group was mainly used for the construction of the toll roads under the Target Group.

The Target Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operation and the future development demands for capital. The ratio of outstanding long-term secured bank loan to equity holder's equity of the Target Group for the 3 years ended 31 December 2008, 2009 and 2010 were 581.5%, 322.6% and 430.4% respectively.

In 2009, the Target Group commenced the expansion of the Shuiguan Expressway from a 6-lane expressway to a dual 10-lane expressway and the construction of the Shenzhen Qingping Expressway and the Shenzhen Eastern Expressway. The Target Group obtained additional long-term bank loans in 2009 and 2010 to fund the construction expenses. As at 31 December 2008, 2009 and 2010, the long-term bank loan is repayable as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 years	56,718	56,805	58,975
After 1 years but within 2 years	850,763	56,805	167,489
After 2 years but within 5 years	402,694	540,784	891,702
After 5 years	626,161	671,435	1,041,499
	1,936,336	1,325,829	2,159,665

During the three years, the Target Group has not entered into any swap arrangement to hedge against interest rate risks.

Foreign Currency Risk

The Target Group mainly operated in the PRC with most of the transactions settled in Renminbi. Part of the Target Group's cash and bank deposits are denominated in Hong Kong Dollars.

As at 31 December 2008, 2009 and 2010, the Target Group did not entered into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Target Group. The management will continue to monitor its foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

Pledge of assets

As at 31 December 2008, 2009 and 2010, some of the banking facilities of the Target Group were secured by mortgages over the service concession arrangements. Such banking facilities amounted to approximately HK$1,509 million, HK$2,044 million and HK$2,122 million respectively. The facilities were utilized to the extent of approximately HK$1,142 million, HK$1,326 million and HK$1,623 million respectively.

Capital commitments

Capital commitments outstanding at 31 December 2008, 2009 and 2010 not provided for in the financial statements were as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for	442,709	577,886	1,450,946

The capital commitments represent the investment amount contributed by the Target Group with its own capital for the construction of the expansion of Shuiguan Expressway, Eastern Expressway and Qingping Expressway.

Employees and emoluments

As at 31 December 2008, 2009 and 2010, the Target Group had approximately 849, 921 and 748 staff members in the PRC.

The remuneration policies of the Target Group are primarily based on prevailing market salary levels and the performance of the respective individuals concerned.

D. Information on the Group

The Company is a project company principally engaged in the business of investment, building, operating and management of infrastructure projects in the PRC. As at the Latest Practicable Date, the Company's only project is the Sui-Yue Expressway (Hunan section) which is currently under construction and is planned to be completed by the end of 2011. Until the Sui-Yue Expressway commences operation, the Company will not be generating profit and will be required to make substantial capital investment.

E. Management discussion and analysis on the Group

For the year ended 31 December 2010

With the continuing economic policies taken by the PRC Government to promote infrastructure development and boost domestic demand, China maintained its high GDP growth rate in year 2010. The toll road industry can also be benefited from those economic growth.

BUSINESS REVIEW

Sui-Yue Expressway (Hunan Section)

The Sui-Yue Expressway (Hunan Section) is a dual three-lane expressway with a planned length of approximately 24.08km and will be connecting the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan in Yueyang City, and connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. It is currently under construction and is planned to be completed by the end of 2011. The Group will then operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the Group will have a concession period of 27 years (excluding construction period).

The construction of the project was at a more advanced stage for the year ended 31 December 2010. As at 31 December 2010, total investment in the project was about HK$1,007.3 million (2009: HK$414.8 million).

Employees and emoluments

As at 31 December 2010, the Group employed a total of 51 (2009: 46) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the year ended 31 December 2010, the Group's total expenses on the remuneration of employees was approximately HK$13.8 million (2009: HK$6.9 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

The Company adopted a Share Option Scheme on 30 November 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. No options have been granted under the Share Option Scheme up to 31 December 2010.

FINANCIAL REVIEW

Turnover and cost of construction services

The Group is mainly engaged in the construction, operation and management of the Sui-Yue Expressway (Hunan Section) in Hunan, the PRC. During the year, the expressway was under construction and has not commenced its operation. Turnover during the year represented revenue from construction work and project management services under the service concession arrangement and there was no real cash inflow realised / realisable during the construction period.

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$537.6 million, about 2.6 times of that for the year ended 31 December 2009 of approximately HK$205.5 million. The increase in the turnover was mainly due to the increased efforts in the construction of the expressway of the Group and higher stage of completion of the expressway during the year. Total investment in the expressway project was about HK$1,007.3 million (2009: HK$414.8 million) as at 31 December 2010.

The Group recognised construction revenue in respect of service concession arrangements in accordance with Hong Kong (IFRIC) Interpretation 12, *Service Concession Arrangements* (IFRIC 12). Such revenue is measured at the fair value of the consideration received or receivable, which is in line with the construction progress and capital expenditure. Accordingly, as the Group increased its capital expenditure on the construction of Sui-Yue Expressway, revenue also increased.

Other revenue and net loss

The Group recorded other revenue and net loss of approximately HK$1.9 million and HK$1.0 million (2009: HK$0.6 million and nil) respectively. Other revenue of the Group mainly consists of interest income from bank deposits. The increase in other revenue was mainly because of the increase in cash deposited in banks as a result of the receipts of the IPO proceeds and the injection of capital by major shareholder near the end of 2009. Other net loss was the exchange loss incurred during the year.

Administrative expenses

Administrative expenses increased by 16% from approximately HK$20.8 million for the year ended 31 December 2009 to approximately HK$24.2 million for the year ended 31 December 2010. Since the commencement of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") near the end of 2009, the Group incurred more legal consultancy fee, audit fee and some other related expenses during the year.

Loss for the year

As the Group made further progress in the Sui-Yue Expressway (Hunan Section) project, we recorded higher revenue from construction work and project management services under the service concession arrangement during the year. The Group still has not commenced the toll road operation during the year. Accordingly, our loss for the year ended 31 December 2010 decreased by 22% from approximately HK$14.9 million for the year ended 31 December 2009 to approximately HK$11.6 million for the year ended 31 December 2010.

Liquidity and financial resources

During the year ended 31 December 2010, the Group financed its operations and capital expenditures by the capital of the Company and long-term secured bank loan. As at 31 December 2010, total bank loan drawn by the Group was about HK$448.2 million (2009: HK$340.8 million) and the total cash and cash equivalents, including bank deposits and cash on hand was amounted to approximately HK$157.2 million (2009: HK$544.2 million).

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operation and the future development demands for capital. As at 31 December 2010, total available banking facilities of the Group amounted to RMB720 million from China Merchants Bank, which is mainly for the construction cost of the Sui-Yue Expressway (Hunan Section), among which the amount of outstanding long-term secured bank loan was HK$448.2 million (2009: HK$340.8 million) (equivalent to RMB380 million (2009: RMB300 million)). The ratio of outstanding long-term secured bank loan to equity holders' equity was 71.3% (2009: 55.8%).

At 31 December 2010, the long-term secured bank loan is repayable as follows:

	2010	**2009**
	HK$'000	*HK$'000*
After 2 years but within 5 years	70,770	34,083
After 5 years	377,440	306,747
	448,210	340,830

During the year, the Group has not entered into any interest swap arrangement to hedge against interest rate risks.

Use of net proceeds from the initial placing and public offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 23 December 2009 with net proceeds from the initial placing and public offer of approximately HK$115.54 million (after deducting issuing expenses). Up to 31 December 2010, all of the proceeds were used for the development costs of the Sui-Yue Expressway (Hunan Section) as described in the Prospectus.

Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

As at 31 December 2010, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group. The management will continue to monitor its foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

Pledge of asset

As at 31 December 2010, the banking facilities of RMB1.1 billion from China Merchants Bank was secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway (Hunan Section), upon commencement of the toll road operation.

Capital commitments

Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Contracted for	527,119	624,098
Authorised but not contracted for	566,909	890,423

The capital commitments represent the costs for the construction of the Sui-Yue Expressway (Hunan Section).

PROSPECTS OF THE GROUP

The Sui-Yue Expressway (Hunan Section) is one of the expressways with high economic potential in the PRC. It is located in Hunan which is a province strategically located in central China with connectivity to all directions. As Hunan is a major resources and product interchange centre and transport hub in China, it is one of the high economic growth provinces in PRC. According to the Hunan Provincial Government, for the first three quarters of 2009, the GDP of Hunan Province reached approximately RMB838 billion, representing an increase of approximately 13.1% over the same period in 2008. Such GDP growth ranked 6th among the 31 provinces, autonomous regions and municipalities in China. In 2008, the GDP of Hunan Province reached approximately RMB1.1 trillion, representing an increase of approximately 12.8% over 2007 and ranking 11th among the 31 provinces, autonomous regions and municipalities in China, and the total volume of import and export of Hunan Province reached approximately US$12.5 billion, representing an increase of approximately 29.7% over 2007.

Also, the Sui-Yue Expressway (Hunan Section) will be an integral part of the major artery between Hunan Province and Hubei Province. Once it is completed and open to traffic, the enormous economic potential of the currently relatively limited trading between the Wuhan-Jingzhou area in Hubei Province and the Yueyang area in Hunan Province will be realised, resulting in significant vehicle turnover for the Sui-Yue Expressway (Hunan Section). According to the projections set out in the Traffic Consultant's Report in Appendix IV to the Company prospectus dated 11 December 2009, the traffic demand for the Sui-Yue Expressway (Hunan Section) would be 12071 to 12892 vehicles per day in the opening year, and is expected to increase to 40,301 to 59,827 vehicles per day by 2038.

Currently, trading between the Wuhan-Jingzhou area in Hubei Province and the Yueyang area in Hunan Province is severely restricted due to separation by the Yangtze River. Such restriction inhibits the full utilization of the rich resources in both provinces for their economic benefit.

Apart from the Junshan Yangtze River Bridge (軍山長江大橋) near Wuhan, Hubei Province and the Jingzhou Yangtze River Bridge (荊州長江大橋) near Jingzhou, Hubei Province, there is no motorway bridge along up to approximately 560 km of the Yangtze River starting from Wuhan to Jingzhou crossing the Yangtze River. Motor vehicles from the area in between Wuhan and Jingzhou in Hubei Province going to Yueyang area in Hunan Province and vice versa are currently required to take ferry at the Bailuo pier (白螺渡口) in Hubei Province or the Daorenji pier (道仁磯渡口) in Hunan Province to cross the Yangtze River. As a result, the movement of people, goods and services between Hubei Province (the area in between Wuhan and Jingzhou) and Hunan Province (Yueyang area) is severely restricted. Accordingly, once the Sui-Yue Expressway is completed and open to traffic, it will unleash trading potentials between Wuhan - Jingzhou area in Hubei province and the Yueyang area.

Furthermore, the Sui-Yue Expressway (Hunan Section) will connect to major expressway networks in the PRC and various feeder roads in Hunan Province. It will benefit from its connectivity to the existing and future highway and expressway networks because the usage of expressways depends on their accessibility relative to the points of origin and destination for their potential traffic.

In the shorter term, growth in traffic demand within Hunan Province will be driven by continuing economic growth in the PRC in general and by associated growth in vehicle ownership and usage. Under these premises, it is expected that traffic flow for the Sui-Yue Expressway (Hunan Section) will also show sustainable and continuous growth.

With the experience of the directors of the Company (the "Directors") in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them within the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and which will generate a satisfactory return on investment.

In accordance with this strategy, the Group will pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, we might also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so.

For the year ended 31 December 2009

The global economic environment has been substantially changed in the year 2009 due to the once-in-century financial crisis. With the decisive and effective measures taken by the PRC Government to promote the infrastructure and boost the domestic demands, China can maintain its high growth in the GDP. The Company can also benefited from those economic policies.

BUSINESS REVIEW

Sui-Yue Expressway (Hunan Section)

The Sui-Yue Expressway (Hunan Section) is a dual three-lane expressway with a planned length of approximately 24.08km and will be connecting the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan in Yueyang City, and connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. It is currently under construction and is planned to be completed by the end of 2011. The Group will then operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the Group will have concession period of 27 years (excluding construction period).

The construction of the project was in a more advanced stage for the year ended 31 December 2009. As at 31 December 2009, total investment in the project was about HK$414.79 million (2008: HK$90.37 million).

Employees and emoluments

As at 31 December 2009, the Group employed a total of 46 (2008: 30) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the year ended 31 December 2009, the Group's total expenses on the remuneration of employees was approximately HK$6.89 million (2008: HK$0.15 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

The Company adopted a Share Option Scheme on 30 November 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. No options have been granted under the Share Option Scheme up to 31 December 2009.

FINANCIAL REVIEW

Turnover and cost of construction services

Turnover of the Group represented revenue from construction work and project management under the Concession Agreement and there was no real cash inflow realised/ realisable during the construction phase. Thus the turnover recorded by the Group should not be interpreted as cash revenue. For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$205.54 million, about 1,940% of the turnover for the year ended 31 December 2008 of approximately HK$10.08 million. With the commencement of the major construction work of the Sui-Yue Expressway (Hunan Section), the Group has injected more investment and efforts in the project. Up to 31 December 2009, total investment in the project was approximately HK$414.79 million.

Other revenue

The Group recorded other revenue which mainly represented interest income from bank deposits of approximately HK$586,000 for the year ended 31 December 2009 while the other revenue for the year ended 31 December 2008 was approximately HK$126,000. The increase in other revenue was mainly because of the increase in cash deposited in banks by the Group as a result of the increase in paid-up capital of the Company's PRC subsidiary.

Administrative expenses

Administrative expenses increased from approximately HK$3.57 million for the year ended 31 December 2008 by about 483% to approximately HK$20.80 million for the year ended 31 December 2009. This was mainly because the Group developed the Sui-Yue Expressway (Hunan Section) project at a more advance stage and it employed increasingly more resources for the project and our consultancy fees, office expenses, rent, etc increased substantially in 2009.

Income tax credit and loss for the year

As the Group made further progress in the Sui-Yue Expressway (Hunan Section) project, we also incurred more expenses. However, in 2009, the Group still has not commenced the toll road operation. Accordingly, our loss for the year ended 31 December 2009 increased from approximately HK$2.39 million for the year ended 31 December 2008 by about 526% to approximately HK$14.95 million. Also, due to a larger loss before taxation for the year ended 31 December 2009, the Group recorded deferred tax credit arising from the temporary differences from the intangible asset-service concession arrangement.

Liquidity and financial resources

During the year ended 31 December 2009, the Group financed its operations and capital expenditures by the capital injection by the shareholders of the Company and long-term secured bank loan. The capital contribution by the controlling shareholder before the Initial Placing and Public Offer was approximately HK$513.39 million while the net proceeds from the new shares issued at the Initial Placing and Public Offer was approximately HK$115.54 million. As at 31 December 2009, total bank loan drawn by the Group was about HK$340.83 million and the total cash and cash equivalents, including bank deposits and cash on hand was amounted to HK$544.25 million.

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operation future and the development demands for capital. As at 31 December 2009, total available banking facilities of the Group amounted to RMB810 million from China Merchants Bank, which is mainly for the construction cost of the Sui-Yue Expressway (Hunan Section), among of which the amount of outstanding long-term secured bank loan was HK$340.83 million (equivalent to RMB300 million). The ratio of outstanding long-term secured bank loan to equity holders' equity was 55.78% (2008: Nil).

At 31 December 2009, the long-term secured bank loan is repayable as follows:

	2009	**2008**
	HK$'000	*HK$'000*
After 2 years but within 5 years	34,083	—
After 5 years	306,747	—
	340,830	—

During the year, the Group has not entered into any interest swap arrangement to hedge against interest rate risks.

Use of net proceeds from the initial placing and public offering

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 23 December 2009 with net proceeds from the initial placing and public offer of approximately HK$115.54 million (after deducting issuing expenses). Up to 31 December 2009, all of the proceeds was placed in short-term deposit bank accounts and has not yet utilized.

The Group intends to continue to apply the net proceeds in the manner set out in the Prospectus.

Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

As at 31 December 2009, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group. The management will continue to monitor its foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

Pledge of asset

As at 31 December 2009, the banking facilities of RMB1.1 billion from China Merchants Bank was secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway (Hunan Section), upon commencement of the toll road operation.

Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Contracted for	624,098	636,005
Authorised but not contracted for	890,423	1,189,716

The capital commitments represent the costs for the construction of the Sui-Yue Expressway (Hunan Section).

For the year ended 31 December 2008

During the year, the Group continued to work on project promotion and planning for the Sui-Yue Expressway (Hunan Section) and accordingly we did not record any toll revenue.

BUSINESS REVIEW

Sui-Yue Expressway (Hunan Section)

During the year, the project was in the promotion and planning stage.

Employee and Emoluments

As at 31 December 2008, the Group employed a total of 30 employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the year ended 31 December 2008, the Group's total expenses on the remuneration of employees was approximately HK$150,000)

FINANCIAL REVIEW

Turnover and cost of construction services

Turnover during the year represented revenue from construction work and project management under the concession agreement. Our turnover increased from approximately HK$5,573,000 for the year ended 31 December 2007 by approximately HK$4,507,000 or 80.9% to approximately HK$10,080,000 for the year ended 31 December 2008. Correspondingly, our cost of construction services increased from approximately HK$5,450,000 for the year ended 31 December 2007 by approximately HK$4,408,000 or 80.9% to approximately HK$9,858,000 for the year ended 31 December 2008. Such increases were mainly because the preparation-stage construction work of the Sui-Yue Expressway (Hunan Section) were implemented by us in a much larger scale in 2008.

Other revenue

The Group recorded other revenue of approximately HK$126,000 for the year ended 31 December 2008 which mainly comprised interest from bank deposits. The increase in other revenue of approximately HK$80,000, or approximately 173.9%, as compared to other revenue of HK$46,000 for the year ended 31 December 2007 was because of the increase in cash deposited in banks by the Group as a result of the increase in paid-in capital (recorded as other reserve) of Daoyue of RMB50 million in May 2008.

Administrative expenses

Administrative expenses increased from approximately HK$1,003,000 for the year ended 31 December 2007 by approximately HK$2,566,000 or 255.8%, to approximately HK$3,569,000 for the year ended 31 December 2008. This was mainly because, as the Group developed the Sui-Yue Expressway (Hunan Section) project at a more advanced stage, the Group employed increasingly more resources for the project and our consultancy fees, office expenses, rent, motor vehicle expenses, entertainment expenses and other expenses increased significantly in 2008. In addition, we also spent approximately HK$791,000 for a work commencement and mobilization ceremony as preparation-stage construction work commenced in June 2008.

Loss for the year

As the Group incurred more expenses during the course of project promotion for the Sui-Yue Expressway (Hunan Section) but has not commenced toll road operation, the loss for the year increased from approximately HK$666,000 for the year ended 31 December 2007 by HK$1,724,000 or 259% to approximately HK$2,390,000 for the year ended 31 December 2008. In addition, due to a larger loss before taxation for the year ended 31 December 2008, we recorded deferred tax credit arising from the resulted tax loss and temporary differences arise from accumulated pre-operating expenses of approximately HK$831,000 for the year ended 31 December 2008, which represented an increase of approximately HK$663,000 or 394.6% as compared to that for the year ended 31 December 2007 of approximately HK$168,000.

Liquidity and Financial Resources

During the year ended 31 December 2008, the Group financed its operations and capital expenditure by the capital contribution from the controlling shareholder and to a lesser extent by the minority shareholder of Daoyue. As at 31 December 2008, there was no loans drawn from the banks and total cash and cash equivalents, including bank deposits and cash on hand was amounted to approximately HK$3.9 million (2007: HK$1.5 million).

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facility to cope with daily operation and the future development demands for capital. Since the Sui-Yue Expressway (Hunan Section) was in the stage of promotion and planning stage during the year ended 31 December 2008, the Group was still in negotiation with its bankers about the banking facilities about the construction cost of the project.

During the year, the Group has not entered into any interest swap arrangement to hedge against interest rate risks.

Foreign Currency Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

As at 31 December 2008, the Group did not entered into any hedging arrangements to hedge against exposure in foreign currency risks. Any substantial exchange rate fluctuation of foreign currency against Renminbi may cause financial impacts on the Group. The management will continue to monitor its foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

Pledge of asset

As at 31 December 2008, there was no assets pledged.

Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Contracted for	636,005	21,222
Authorised but not contracted for	1,189,716	—

The capital commitments represent the costs for the construction of the Sui-Yue Expressway (Hunan Section).

F. Implications under the Listing Rules

As all of the applicable percentage ratios under Chapter 14 of the Listing Rules exceeded 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

In addition, Mr. Chan is an executive Director of the Company and the chairman of the Board. As at the date hereof, Mr. Chan is interested in the entire issued share capital of VIL which holds approximately 72.71% of the issued share capital of the Company as at the date of this circular. Accordingly, Mr. Chan is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13(b) of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders requirements under Chapter 14 of the Listing Rules. Mr. Chan and his associates, including VIL, is required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll.

3. INFORMATION ON THE CONSIDERATION SHARES AND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES

A. Information on the Consideration Shares:

Comparison to share capital of the Company:	The 780,000,000 new Shares to be issued to the Seller represents (i) approximately 189.04% of total number of issued Shares immediately prior to the issue of the Consideration Shares; and (ii) approximately 65.40% of the enlarged issued share capital of the Company as enlarged by the issuance of the Consideration Share.
Price information:	The issue price of HK$1.28 per Share represents (i) a discount of approximately 3.8% to the closing price of HK$1.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a discount of approximately 6.6% to the average closing price of HK$1.37 per Share as quoted on the Stock Exchange for last five consecutive trading days up to and including the Latest Practicable Date; and (iii) a discount of approximately 8.4% to the average closing price of HK$1.397 per Share as quoted on the Stock Exchange for last ten consecutive trading days up to and including the Latest Practicable Date.
Ranking:	Upon issuance, the Consideration Shares will rank *pari passu* with all the then existing Shares in issue.
Listing:	An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

B. Proposed grant of specific mandate to issue the Consideration Shares

As the consideration for the Acquisition will be satisfied by way of the Company issuing the Consideration Shares, the Company will seek the grant of a specific mandate from the Shareholders to allot and issue the Consideration Shares. The issuance and allotment of the Consideration Shares will not result in any change in control of the Company.

4. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the assets and liabilities of the Target Group will be consolidated into the accounts of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular. The unaudited pro forma net assets of the Enlarged Group would be approximately HK$2,274 million and total liabilities of approximately HK$5,510 million.

Net asset value

According to the 2010 Annual Report of the Company, the net assets value of the Group as at 31 December 2010 was approximately HK$696.2 million. Upon the completion of the Acquisition and according to the unaudited pro forma financial information as set out in Appendix III to the circular, the net assets value would become approximately HK$2,274 million.

Earnings

In light of the profitable track record of the Target Group, the Directors believe the Acquisition will widen and strengthen the earning basis of the Enlarged Group. According to the unaudited pro forma financial information as set out in Appendix III to the circular, the profits for the year would become approximately HK$230.9 million for the year ended 31 December 2010.

Gearing

According to the 2010 Annual Report of the Company, the gearing ratio (Long term debt to total equity) of the Group was approximately 64.4% as at 31 December 2010. Upon the completion of the Acquisition and according to the unaudited pro forma financial information as set out in Appendix III to the circular, the gearing ratio would become approximately 112.1%.

Working Capital

According to the 2010 Annual Report of the Company, the cash and cash equivalent of the Group was approximately HK$157.2 million as at 31 December 2010. Upon the completion of the Acquisition and according to the unaudited pro forma financial information as set out in Appendix III to the circular, the cash and cash equivalent would become approximately HK$1,681.4 million.

5. PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE PLACING SHARES

As stated in the Announcement, in order to fulfill one of the conditions under the Share Purchase Agreement, namely the Company having successfully raised not less than HK$1,000,000,000 from the Placing, the Company intends to issue and place to Independent Third Parties the Placing Shares.

A. Reasons for the proposed Specific Mandate to issue Placing Shares

At the Latest Practicable Date, the Company is still in discussion with an investment bank in connection with a proposed placement of new Shares and no legally binding agreement has been signed. Nevertheless, since (i) placement of shares of listed companies in Hong Kong are typically completed during a relatively short period of time and it may not be commercially practicable and viable for the Company to enter into placement agreement(s) with investment bank(s) which are conditionals upon approval by Shareholders; and (ii) it will be more convenient to the Shareholders and can achieve savings on the administrative cost of the Company for the proposed Specific Mandate to issue Placing Shares to be approved in the same EGM convened for the approval of the Acquisition, the Directors consider it is reasonable and in the interest of the Company and the Shareholders as a whole to put forward a resolution at the EGM to approve the grant of a specific mandate for the Directors to issue Placing Shares with the following criteria:

(i) up to 780,000,000 new Share can be issued; and

(ii) the placing price of the new Shares will not be less than HK$1.28 per Share.

If duly resolved at the EGM, the proposed Specific Mandate to issue Placing Shares will be effective for a period of 120 days from the date of approval by Shareholders. Assuming the proposed Specific Mandate to issue Placing Shares will be approved by Shareholders at the EGM held on 15 July 2011, the effective period of the proposed Specific Mandate to issue Placing Shares will expire on 12 November 2011, which is shortly after the Long Stop Date under the Share Purchase Agreement of 12 April 2011. The Seller will abstain from voting at the EGM.

B. Proposed Placement

It is currently expected that the proposed placement of new Shares ("Proposed Placement"), if proceed, will be on a best-effort basis. Given that Shares will only be placed to Independent Third Parties under the Proposed Placement, and the Company will ensure that no placees under the Proposed Placement will become a substantial shareholders of the Company upon completion of the Proposed Placement, the Directors expect that the minimum public float of 25% of the Company will be maintained after the Proposed Placement. If, for whatever reasons, the Acquisition is terminated prior to Completion, the Proposed Placement will not proceed.

The maximum number of Shares to be issued pursuant to the proposed Specific Mandate to issue Placing Shares and to be placed under the Proposed Placement of 780,000,000 represents approximately 189.04% of the Company's existing issued share capital as at the Latest Practicable Date and 65.4% of the issued share capital of the Company as enlarged by the issue of the maximum number of Shares under the Proposed Placement.

The proposed placing price of not less than HK$1.28 per Share:

(i) represents a discount of approximately 3.8% to the closing price of HK$1.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) represents a discount of approximately 8.4% to the average closing price of approximately HK$1.397 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date;

(iii) represents a discount of approximately 7.2% to the closing price of HK$1.38 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(iv) represents a discount of approximately 24.1% to the consolidated net assets per Share of approximately HK$1.687 as at 31 December 2010, being the date of the latest practicable audited financial statements of the Company.

Having considered the prevailing market prices of the Shares before and after the entering into of the Share Purchase Agreement, the Directors consider that the minimum placing price of not less than HK$1.28 is fair and reasonable.

The Directors expect that, based on the criteria on minimum placing price and maximum number of Shares to be issued, the proceeds from the Proposed Placing will be able to fulfill the condition referred in under proposed grant of Specific Mandate to issue Placing Shares in the paragraph headed "Reasons for the proposed Specific Mandate to issue Placing Shares" above. Based on the factors mentioned above, the Directors consider it is in the interest of the Company and the Shareholders as a whole to put forward the proposed Specific Mandate to issue Placing Shares for Shareholders' approval at the EGM so as to facilitate Completion of the Acquisition and the Proposed Placement under which the terms, including the maximum number of Shares to be issued and the placing price, are fair and reasonable.

Further announcement will be made in accordance with the requirements of the Listing Rules upon the Company entering into any legally binding agreement in connection with the Proposed Placement or the proposed grant of Specific Mandate to issue Placing Shares is otherwise utilized to issue any new Shares.

As the proposed Specific Mandate to issue Placing Shares may or may not be granted by Shareholders and the Proposed Placement may or may not proceed, Shareholders and potential investors are advised to exercise caution in dealing with the Shares.

6. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a shareholding structure of the Company (i) as at the date of this circular; and (ii) immediately after Completion, assuming there is no other change in the issued share capital and shareholding structure of the Company from the date of this circular:

Name of Shareholder	**As at the date of this circular**		**Immediately upon Completion**	
	No. of Shares	*Approximate % of issued share capital of the Company*	*No. of Shares*	*Approximate % of issued share capital of the Company*
Mr. Chan and his associates *(Note 1)*	300,000,000	72.71	1,080,000,000	54.75%
Placees *(Note 2)*	—	—	780,000,000	39.54%
Other public Shareholders	112,608,000	27.29	112,608,000	5.71%
Total:	**412,608,000**	**100.00**	**1,972,608,000**	**100.00**

Notes:

(1) The 300,000,000 existing Shares are held by VIL, which is wholly-owned by Mr. Chan Yeung Nam, an executive Director and the chairman of the Company.

(2) One of the conditions precedent under the Share Purchase Agreement is that the Company having successfully raised not less than HK$1,000,000,000 from the Placing. As no legally binding agreement in relation to the Placing has been signed as at the date of this circular, the number of Shares to be placed and the placing price of the Shares under the Placing cannot be confirmed at this stage. Solely for illustrative purposes, it is assumed that 780,000,000 Shares will be issued to the placees pursuant to the Placing. Such indicative number may be different from the actual number of Shares to be issued under the Placing. Accordingly, the shareholding portion of Mr. Chan and his associates, the Placees and other public Shareholders in the table set out above may also be subject to change.

(3) The Company will ensure that (i) no Shares will be placed to an associate of Mr. Chan; and (ii) none of the placees together with parties acting in concert with him/her/it will acquire 30% or more of the voting rights of the Company as a result of the Placing. In addition, whilst it is not currently expected that there will be any new substantial shareholders of the Company as a result of the Placing, the Company will ensure that not less than 25% of the Shares will be held by the public upon completion of the Acquisition and the Placing.

7. RISK FACTORS

Shareholders should be aware that the Acquisition will increase the level of risk exposure of the Enlarged Group and should consider carefully the risk factors set out below:

Continuous capital investment and possible delays

The Target Group has two infrastructure projects, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway, which are currently under construction. Given that construction of expressway requires considerable and continuous capital investments, including but not limited to the outstanding investments payable under the two projects the actual capital expenditures for the projects under construction may differ significantly from the Group's expectation due to various factors beyond the Company's control, which in turn may adversely affect the Enlarged Group's financial condition.

In addition, whilst based on various financial resources available to the Target Group including but not limited to bank and credit facilities, it has not experienced liquidity problems before, there is no assurance that there will never be any liquidity risk in the event that the financial resources available to the Target Group was reduced or cancelled without suitable substitutes.

Although Qingping Expressway and Shenzhen Eastern Expressway are expected to be in operation by 2013, there may be unexpected delays caused by various factors including but not limited to inefficiency of the independent contractors, the Group's inability to obtain further finance, changes in market conditions, construction accidents and adverse weather conditions. In such event, the Enlarged Group's cash flow and financial position may be adversely affected.

In view of the Directors' substantial experience in project management, the Directors will closely monitor the progress of the construction work to ensure adherence with the respective construction schedules for each of the infrastructure projects and minimize any chance of delay in construction. Further, with the proceeds from the Placing to be received upon Completion of the Acquisition and the existing banking facilities, and the Directors' assessment that further finance from banks could be obtained if required, the Directors consider that all financial outlays will be fully covered.

Changes to the provincial government's transportation-related policies

The Enlarged Group's operations are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, changes to transportation networks, traffic regulation, licensing and toll regime, etc. Such changes may have an adverse effect on the revenue or results of operations of the Enlarged Group.

The Directors will monitor the applicable and relevant government policies closely and will take immediate and appropriate actions in response to any changes in the policies with a view to minimize its impact on the infrastructure projects and to the Enlarged Group.

Expansion to Shenzhen area which the Group has no previous operation history

In addition, through the Acquisition, the Group will extend its business coverage to Shenzhen area, which the Group has no prior business operations before. Whilst as at the date hereof, based on the information of the Target Group available to it, the Group has not yet identified any problems of the operations of the Target Group (including the projects held by it), there is no assurance that the operations of the Target Group will not experience any operation problems. In the event any such problems occurred, the operations of the Enlarged Group will be adversely affected.

Notwithstanding that the Group has no previous operation history in the Shenzhen area, some of the Directors, including Mr. Chan, have certain experience in the construction and management of toll road projects in the Shenzhen area through their involvement in the Target Group. They will closely monitor the operations of the projects to ensure any potential issues will be identified at an early stage to minimize the effect of these issues on the operations of the Enlarged Group.

Revenue is heavily dependent on traffic volume and may be affected by competing roads and bridges and other modes of transportation

Revenue to be generated from collection of toll is heavily dependent on traffic volume. Traffic volume is directly and indirectly affected by a number of factors, including the road's connectivity with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network will not adversely affect the traffic volume on the expressways. There is also no assurance that other road or mode of transportation will not be constructed or introduced in future which may prove to be better alternatives to the Enlarged Group's existing expressway projects. In such case, the Enlarged Group's business and operating results may be materially and adversely affected.

Parsons Brinckerhoff (Asia) Limited has been engaged to conduct an independent traffic and revenue study on the expressways owned by the Enlarged Group. Its report is contained in Appendix V of this circular. The projections were based upon certain assumptions, which may be subjective and uncertain and may differ materially from the actual traffic volume. Any significant shortfall in the actual traffic volume may have a material adverse effect on the Enlarged Group's revenue and its business and operating results.

Notwithstanding the above, the Directors believe that the rising trend of the economic growth in China will be sustained in the foreseeable future. With this growth, especially in Shenzhen area, the Directors expect the revenue for toll road project to continue to increase in the coming years.

Guarantee from Seller

It is expected that, upon Completion, the Seller in his capacity as the controlling shareholder of the Group will continue to provide guarantee in respect of certain bank loans taken out by the Target Group, which will form part of the Enlarged Group. In the event that the Seller decides to reduce the scope, withdraw or terminate any such guarantee, and the Enlarged Group is unable to identify any guarantor in substitution, some or all of these bank loans guaranteed by the Seller may be recalled or terminated. In such case, the financial position of the Enlarged Group may be adversely affected.

Notwithstanding the above, as the Target Group will form part of the Enlarged Group upon Completion of the Acquisition, the Company is also prepared to provide guarantee to the Target Group in the event that the Seller reduce the scope, withdraw or terminate the guarantees provided by him. Further, the replacement of corporate guarantee by the Group in place of guarantee provided by connected persons of the Company such as the Seller, if necessary, is also consistent with the Group's current practice that all bank loans of the Group are only guaranteed by companies within the Group.

8. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the investment, building and management of infrastructure projects in China. At present, the Group has only one project in Hunan, the PRC, namely the Sui-Yue Expressway (Hunan Section). The project is now under construction and will commence to operate in 2012.

Through the Acquisition, the Group will have four additional toll road projects in Shenzhen, the PRC, two of which are already in operation and revenue generating. These will bring additional revenue to the Group and strengthen the cash flow of the Group. The other two projects are currently under construction and are expected to commence operation by 2013 and 2014.

The Board believes that the infrastructure projects will bring to the Group a stable revenue and cash flow. The Directors believes that the Acquisition will enhance the Group's competitiveness, further strengthen the Group's reputation within the industry and improve its overall financial performance.

9. EGM

Set out in pages 175 to 177 of this circular is the notice to convene and hold the EGM at Harbour Room, Orrick, Herrington & Sutcliffe, 43/F, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 15 July 2011 at 11:00 a.m..

It is proposed that at the EGM, ordinary resolutions for the approval of the Acquisition and the Specific Mandates be put to the Independent Shareholders for their consideration and voting at the EGM. Pursuant to the Listing Rules, at the EGM, Mr. Chan and his associates, including VIL, are required to abstain from voting on the resolution(s) approving the Acquisition and the transaction thereunder. Voting will be conducted by poll pursuant to the Listing Rules.

For the purposes of the EGM, the register of members of the Company will be closed from 14 July 2011 to 15 July 2011 (both days inclusive), during which no transfer of Shares will be registered. Accordingly, holders of Shares whose names appear on the register of members of the Company at the close of business on 13 July 2011 shall have the right to attend the EGM.

Each Shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote at the EGM on his behalf.

The proxy form for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

10. RECOMMENDATION

The Board, including the independent non-executive Directors who are members of the Independent Board Committee, after taking into account the totality of factors, including two potential benefits of the Acquisition and the associated risks is of the opinion that the Acquisition is in the ordinary and usual course of business of the Company and has been entered into on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including the independent non-executive Directors who are members of the Independent Board Committee, recommends that the Independent Shareholders vote in favour of the resolution set out in the notice of the EGM for the approval of the Acquisition and the transactions thereunder and the Specific Mandates.

11. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge, being all the independent non-executive Directors, has been formed to consider the terms of the Acquisition and to advise the Independent Shareholders on the same.

Goldin Financial has been appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions thereunder (including the procurement of the Company to issue Consideration Shares).

12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from Goldin Financial, the additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board of
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

HUAYU EXPRESSWAY GROUP LIMITED
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1823)

24 June 2011

To the Independent Shareholders,

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUMGREAT INVESTMENTS LIMITED AND (II) PROPOSED GRANT OF SPECIFIC MANDATES

We refer to the circular dated 24 June 2011 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed as the Independent Board Committee to advise you as a Shareholder in connection with the terms of the Share Purchase Agreement and the transactions contemplated thereunder (including the procurement of the Company to issue Consideration Shares), details of which are set out in the Letter from the Board contained in the Circular. Goldin Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having considered the principal factors and reasons considered by Goldin Financial as stated in its letter of advice set out on pages 50 to 68 of the Circular, we are of the opinion that the terms of the Share Purchase Agreement and the transactions contemplated thereunder (including the procurement of the Company to issue Consideration Shares) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Share Purchase Agreement and the transactions thereunder (including the procurement of the Company to issue Consideration Shares).

Yours faithfully,
Independent Board Committee
Sun Xiao Nian **Chu Kin Wang, Peleus** **Hu Lie Ge**
Independent non-executive Directors

The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of inclusion in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

24 June 2011

To: the Independent Board Committee and the Independent Shareholders of Huayu Expressway Group Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUMGREAT INVESTMENTS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee of the board of directors (the "Independent Board Committee") and the independent shareholders (the "Independent Shareholders") of Huayu Expressway Group Limited (the "Company") in relation to the acquisition of the entire issued share capital of Sumgreat Investments Limited (the "Target Company") which is the holding company of a group of ten companies that are principally engaged in the business of investment, building, operating and management of infrastructure project in the PRC, details of which are set out in the circular dated 24 June 2011 issued by the Company (the "Circular"), of which this letter forms part. Capitalized terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

On 12 April 2011 after trading hours, the Company announced that the Company as the purchaser and the Seller entered into the Share Purchase Agreement on 12 April 2011, pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company, at the consideration of HK$1,000,000,000, which will be satisfied entirely by the allotment and issue of 780,000,000 Consideration Shares at an issue price of HK$1.28 per Consideration Share.

As all of the applicable ratios of the Acquisition under Chapter 14 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules. In addition, Mr. Chan is an executive Director of the Company and the chairman of the Board. As at the Latest Practicable Date, Mr. Chan was interested in the entire issued share capital of VIL which held approximately 72.71% of the issued share capital of the Company as at the even date. Accordingly, Mr. Chan is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13(b) of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among others, the Share Purchase Agreement and the transactions contemplated thereunder. Mr. Chan and his associates, including VIL, are required to abstain from voting on the resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge, has been established to advise and give recommendation to the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder.

We, Goldin Financial, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Share Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve, among others, the Share Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Share Purchase Agreement, the annual reports of the Company for the two financial years ended 31 December 2009 and 2010. We have also reviewed the opinion and valuation report (the "Valuation Report") relevant to the Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway (the "Expressways") provided by Jones Lang LaSalle Sallmanns Limited (the "Valuer"), including reviewing the terms of engagement (having particularly regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the valuation report, opinion or statement). Based on the foregoing, we consider that we have taken all the reasonable steps, which are applicable to the Acquisition, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annexed notes) in forming our opinion. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80(2)(b) of the Listing Rules. We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of the Share Purchase Agreement and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Company is a project company principally engaged in the business of investment, building, operating and management of infrastructure projects in the PRC. As at the Latest Practicable Date, the Company's only project is the Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway") which is currently under construction. The Sui-Yue Expressway is planned to be completed by the end of 2011 with toll collection expected to commence by the beginning of 2012. The Group will operate the expressway pursuant to the concession agreement (the "Concession Agreement") with a concession period of 27 years from the date of completion. Until the Sui-Yue Expressway commences operation, the Company will not be generating profit and will continue to be required to make substantial capital investment. Set out below are the audited financial information of the Group for the two years ended 31 December 2009 and 2010:

Table 1: Financial highlights of the Group

	For the year ended 31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Turnover	537,631	205,538
Loss attributable to equity shareholders of the Company	(12,069)	(14,385)
	As at 31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Non-current assets	1,011,070	496,441
Current assets	242,527	544,846
(Current liabilities)	(109,167)	(58,592)
Net current assets	133,360	486,254
Total equity attributable to the equity shareholders of the Company	628,348	610,999

With respect to the audited financial information of the Group for the two years ended 31 December 2009 and 2010, turnover of the Group represented revenue from construction work and project management under the Concession Agreement and there was no real cash inflow realised/realisable during the construction phase. Thus, the turnover recorded by the Group should not be interpreted as cash revenue.

For the year ended 31 December 2009, the turnover of the Group increased from approximately HK$10.08 million in 2008 to approximately HK$205.54 million in 2009. As advised by the management of the Company, the increase in turnover was mainly due to the increased injection of investments and efforts with the commencement of the major construction work of the Sui-Yue Expressway. Up to 31 December 2009, total investment in the project was approximately HK$414.79 million. For the year ended 31 December 2009, the Group recorded a loss attributable to the equity shareholders of the Company of approximately HK$14.39 million. As advised by the management of the Company, such loss was mainly resulted from the additional expenses incurred as the Group made further progress in the Sui-Yue Expressway project which has not commenced operation during the period. As at 31 December 2009, the audited net current assets and total equity attributable to the equity shareholders of the Company amounted to approximately HK$486.25 million and approximately HK$611.00 million, respectively.

For the year ended 31 December 2010, the turnover of the Group increased from approximately HK$205.54 million in 2009 to approximately HK$537.63 million in 2010. As advised by the management of the Company, the increase in turnover was mainly due to the increased injection of investments and efforts in the construction of the Sui-Yue Expressway during the year. Up to 31 December 2010, total investment in the project was approximately HK$1,007.26 million. For the year ended 31 December 2010, the Group recorded a loss attributable to the equity shareholders of the Company of approximately HK$12.07 million, reduced from HK$14.39 million in the previous financial year. As advised by the management of the Company, such reduction in loss was mainly attributable to the higher revenue from construction work and project management services under the Concession Agreement during the year. During the financial year, the Sui-Yue Expressway project has not commenced operation. As at 31 December 2010, the audited net current assets and total equity attributable to the equity shareholders of the Company amounted to approximately HK$133.36 million and approximately HK$628.35 million, respectively.

2. Information on the Target Group

The Target Company is a limited company incorporated in the BVI on 7 July 2006. The Target Company is the holding company of a group of ten companies which are principally engaged in the business of investment, building, operating and management of large-scale infrastructure projects in the PRC. The major operating subsidiaries of the Target Company includes Huayu Investment, 深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited*, "Qinglong Expressway Company"), 深圳市華昱高速公路投資有限公司(Shenzhen Huayu Expressway Investment Company Limited*, "Huayu Expressway Investment Company"), 深圳華昱東部高速公路有限公司 (Shenzhen Huayu Eastern Expressway Company Limited*, "Shenzhen Eastern Expressway Company") and 深圳華昱清平高速公路有限公司 (Shenzhen Huayu Qingping Expressway Company Limited*, "Qingping Expressway Company").

Huayu Investment

Huayu Investment is an investment holding company which is wholly owned by the Target Company and is engaged in the provision of project management services. It is currently involved in three major projects which are (i) Shenzhen Longgang District Land Reserve Development Centre (深圳市龍崗區土地儲備開發中心) to manage the construction of a road linking Bujisha Wan to Baohe Road in the Longgang district in Shenzhen; and (ii) Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) to manage the construction of a section of Hengping Road of approximately 27 kilometers; and (iii) Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) to manage the construction of a passageway linking Yinhe Road to Hengping Road.

Huayu Investment also owns 10% interest of the Sui-Yue Expressway (Hunan Section), which is the only project currently owned by the Group.

Qinglong Expressway Company

Qinglong Expressway Company is 60% owned by the Target Company. It is principally engaged in the building and operation of Shuiguan Expressway linking Xinbulong Road (新布龍路) in Buji Town (布吉鎮) to Zhongxin Cheng (中心城) in Longgang District (龍崗區). Shuiguan Expressway is a major expressway that runs through southwest and northeast direction in Shenzhen. It has a total length of approximately 20.14 kilometers and has been in operation since December 2001.

Set out below are the traffic volume and the toll revenue of Shuiguan Expressway for the years 2008 and 2009:

Table 2: Average daily traffic and toll revenue of Shuiguan Expressway

	2009	**2008**
Average daily traffic *(in number of vehicles)*	118,064	106,241
Toll revenue *(in RMB million)*	391.44	368.19

The average daily traffic volume of Shuiguan Expressway increased from 106,241 vehicles in 2008 to 118,064 vehicles in 2009, representing an increase of approximately 11.13%. According to the traffic and revenue study (the "Traffic Report") issued by Parsons Brinckerhoff (Asia) Limited ("PBA") as set out in the Appendix V to the Circular, the average daily traffic and toll revenue of Shuiguan Expressway were forecasted to increase to 257,870 vehicles and approximately RMB920 million in 2020 under conservative scenarios, representing compounded annual growth rates ("CAGR") of approximately 7.36% and approximately 8.08% from 2009, respectively.

Huayu Expressway Investment Company

Huayu Expressway Investment Company is 60% owned by the Target Company. It is principally engaged in the building and operation of Shuiguan Expressway Extension Line linking the Bulong Interchange (布龍立交) on the Shuiguan Expressway to the Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站). Shuiguan Expressway Extension Line began to operate in July 2005 and has a total length of approximately 5.25 kilometers. Currently, only the Shenlong toll station is in operation.

Set out below are the traffic volume and the toll revenue of Shuiguan Expressway Extension Line for the years 2008 and 2009:

Table 3: Average daily traffic and toll revenue of Shuiguan Expressway Extension Line

	2009	**2008**
Average daily traffic *(in number of vehicles)*	32,295	28,181
Toll revenue *(in RMB million)*	73.92	65.48

The average daily traffic volume of Shuiguan Expressway Extension Line increased from 28,181 vehicles in 2008 to 32,295 vehicles in 2009, representing an increase of approximately 14.60%. According to the Traffic Report, the average daily traffic and toll revenue of Shuiguan Expressway Extension Line were forecasted to increase to 102,950 vehicles and approximately RMB229 million in 2020 under conservative scenario, representing CAGR of approximately 11.11% and approximately 10.82% from 2009, respectively.

Shenzhen Eastern Expressway Company

Shenzhen Eastern Expressway Company is 70% owned by the Target Company. It is principally engaged in the building and operation of Shenzhen Eastern Expressway linking Liantang Port (蓮塘口岸) to the intersection of Shenhui and Shenshan expressway (深惠與深汕高速公路交匯處) in Shenzhen. Shenzhen Eastern Expressway would help to ease the traffic pressure on the existing National Highway 205 and provide a more direct and faster route between the east and the Shenzhen urban area of Luohu. Shenzhen Eastern Expressway is designed to have a total length of approximately 32.8 kilometers and is expected to begin operation by 2014.

According to the Traffic Report, the average daily traffic and toll revenue of Shenzhen Eastern Expressway were forecasted to increase from 62,930 vehicles in 2014 to 89,990 vehicles in 2020 and from approximately RMB571 million in 2014 to approximately RMB854 million in 2020 under conservative scenario, representing CAGR of approximately 6.14% and approximately 6.92% from 2014, respectively.

Qingping Expressway Company

Qingping Expressway Company is wholly owned by the Target Company. It is principally engaged in the building and operation of Shenzhen Qingping Expressway linking the end of the Shuiguan Expressway Extension Line at Bulong/Longjing Interchange (布龍／龍井立交) in Shenzhen to Dongguan Gaoerfu Road (東莞高爾夫大道) in Dongguan. Shenzhen Qingping Expressway is designed to have a total length of approximately 12.7 kilometers and is expected to begin operation in 2013.

According to the Traffic Report, the average daily traffic and toll revenue of Shenzhen Qingping Expressway were forecasted to increase from 62,690 vehicles in 2013 to 90,300 vehicles in 2020 and from approximately RMB146 million in 2013 to approximately RMB211 million in 2020 under conservative scenario, representing CAGR of approximately 5.35% and approximately 5.36% from 2013, respectively.

The table below is a brief summary of the financial information of the Target Group for the two years ended 31 December 2010 as extracted from the accountants' report on the Target Group as set out in Appendix II to the Circular:

Table 4: Financial highlights of the Target Group

	For the year ended 31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Combined revenue	2,098,754	1,010,856
Combined gross profit	484,403	429,532
Combined profit before tax	334,407	233,706
Combined profit after tax	242,577	170,516
Combined profit after tax attributable to the equity shareholders of the Target Company	120,302	69,962
Total equity attributable to the equity shareholders of the Target Company	471,833	380,287

As set out in Table 4 above, for the year ended 31 December 2010, the combined revenue of the Target Group increased from approximately HK$1,010.86 million to approximately HK$2,098.75 million, representing an increase of approximately 107.62%. Such significant increase was mainly due to the increase in toll revenue from Shuiguan Expressway and Shuiguan Expressway Extension Line and the increase in the construction revenue in respect of the service concession arrangements. For the year ended 31 December 2010, the combined profit attributable to the equity shareholders of the Target Group increased from approximately HK$69.96 million to approximately HK$120.30 million, representing an increase of approximately 71.96%. As discussed with the management of the Company, the increase in earnings was mainly attributable to the increase in toll revenue from Shuiguan Expressway and Shuiguan Expressway Extension Line and the decrease in the administrative expenses and the finance costs. As at 31 December 2010, the audited total equity attributable to the equity shareholders of the Target Company were approximately HK$471.83 million.

3. **Reasons for, and benefits of, the Acquisition**

The Company is a project company principally engaged in the business of investment, building, operating and management of infrastructure projects in the PRC. As mentioned above, the Company's only project is the Sui-Yue Expressway which is currently under construction and is planned to be completed by the end of 2011 and the Company will not be generating profit until the Sui-Yue Expressway commences operation.

As advised by the management of the Company, the Target Group currently has two infrastructure projects, namely the Shuiguan Expressway and Shuiguan Expressway Extension Line, which are both already in operation and revenue generating. It is also receiving fees for provision of project management services in respect of Shahe Road Project and the Hengping Road Project. In addition, the Shenzhen Qingping Expressway and Shenzhen Eastern Expressway are currently under construction by the Target Group and are expected to be in operation by 2013 and 2014, respectively. According to the accountants' report of the Target Group as set out in the Appendix II to the Circular, the business of the Target Group was profit-making for the last three financial years ended 31 December 2010. Upon Completion, the financial results of the Target Group will be consolidated into that of the Group. In view of the proven track record of the Target Group, it is expected that the Acquisition would bring positive impact to the financial performance of the Group. In addition, as described above under the paragraphs headed "Information on the Target Group", the projected toll revenue to be generated from each of Shuiguan Expressway, Shuiguan Expressway Extension Line, and also Shenzhen Eastern Expressway and Shenzhen Qingping Expressway which will be commenced by 2013 and 2014, respectively, are continuously increasing for the coming 10 years. As such, the Acquisition is expected to bring stable long term income and immediate cash flow to the Group, which is beneficial to the Group and the Shareholders.

As advised by PBA, the growth of gross domestic products ("GDP") is closely related to the traffic increase on the highways in the PRC. Based on the websites of the Statistics Bureau of Guangdong Province and the Statistics Bureau of Shenzhen Municipality, we note that the GDP of Guangdong Province and Shenzhen Municipality showed a continuous growth from 2005 to 2010. The table below shows the annual GDP of Guangdong Province and Shenzhen Municipality for the period from 2005 to 2010:

Table 5: Annual GDP of Guangdong Province and Shenzhen Municipality

Year	**Guangdong Province** *(RMB billion)*	**Shenzhen Municipality** *(RMB billion)*
2005	2,256	495
2006	2,659	581
2007	3,178	680
2008	3,680	779
2009	3,948	820
2010	4,547	951

Source: Website of Statistics Bureau of Guangdong Province and Statistics Bureau of Shenzhen Municipality

As set out in Table 5 above, the GDP of Guangdong Province and Shenzhen Municipality increased from approximately RMB2,256 billion in 2005 to approximately RMB4,547 billion in 2010 and from approximately RMB495 billion in 2005 to be approximately RMB951 billion in 2010, representing CAGR of approximately 15.05% and approximately 13.95%, respectively. The GDP of Shenzhen Municipality is also projected to be approximately RMB1,500 billion, according to the 12th Five-year Plan of the PRC. In 2008, 中華人民共和國國家發展和改革委員會 (National Development and Reform Commission issued 珠江三角洲地區改革發展規劃綱要 (The Pearl River Delta Region Reform and Development Plan Summary*) (2008-2020) which aimed to develop the Pearl River Delta region as a regional important logistics hub by, among others, promoting the transportation network in the Pearl River Delta region. Such long-term commitment of the PRC government would benefit the traffic flow of Shenzhen Municipality, which forms part of the Pearl River Delta region, and it is expected that the demand for the road transport within Shenzhen Municipality would prosper. In view of the increasing trend of the GDP of Guangdong Province and Shenzhen Municipality and the growing demand for the road transport within Shenzhen Municipality, we concur with the Director's view that the business prospect of the Target Group is optimistic.

As mentioned in the annual report of the Company for the year ended 31 December 2010, it is the intention of the Group to pursue other infrastructure projects in the PRC which will generate a satisfactory return on investment. Given the Expressways involved in the four infrastructure projects of the Target Group are all located in Shenzhen Municipality, the Acquisition represents a good opportunity for the Group to expand its toll road operations towards the Pearl River Delta region and further strengthens its infrastructure investment portfolio in the PRC, which is in line with the Group's business strategy.

Having considered that (i) the Acquisition is expected to bring stable long term income and cash flow to the Group; (ii) the business prospect of the Target Group is optimistic; and (iii) the Acquisition is in line with the Group's business strategy, we are of the view that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Share Purchase Agreement

On 12 April 2011, the Company and the Seller entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company.

4.1 Consideration for the Acquisition

The Consideration payable by the Company to the Seller pursuant to the Share Purchase Agreement is HK$1,000,000,000, which shall be satisfied by the allotment and issue of 780,000,000 new Shares at an issue price of HK$1.28 per Consideration Share, credited as fully paid, to the Seller on the Completion Date.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiation between the parties thereto taking into account, among other things, the investment costs of the existing projects in operation and under construction held by members of the Target Group and their business potentials. The original purchase/ investment cost of the 100% interest in the Target Company paid by Mr. Chan was RMB660,000,000 which represents the aggregate registered and paid up capital of all the PRC subsidiaries within the Target Group.

According to the Valuation Report produced by the Valuer as contained in Appendix IV to the Circular, the aggregate market value (the "Valuation") of the equity interests held by the Target Company in its four subsidiaries engaged in Expressways projects (the "Project Companies"), being equity interest of (i) 70% in Shenzhen Eastern Expressway Company; (ii) 60% in Qinglong Expressway Company; (iii) 60% in Huayu Expressway Investment Company; and (iv) 100% in Qingping Expressway Company, was approximately HK$3,109 million as at 31 December 2010. The Consideration therefore represents a discount of approximately 67.84% to the Valuation.

In order to assess whether the Valuation could provide a valid benchmark to assess the fairness and reasonableness of the Consideration, we have reviewed and discussed with the Valuer regarding, among other things, the bases and methodologies adopted for the Valuation.

We understand that the Valuer has considered three different commonly-used valuation approaches, namely market approach, cost approach and income approach, and that the Valuer has adopted discounted cash flow method ("DCF") under income approach based on, among other factors, the following analyses:

(i) *The market approach*

The Valuer considered that the market approach to be inappropriate for the Valuation. The Valuer are of the view that the market transactions on expressway assets tend to have different transaction prices considering a number of factors including geographical areas, toll rates and traffic, and operational stages and status of the expressway assets. Given the unique characteristics of the Expressways that three out of four underlying expressways are still under expansion or construction, the Valuer has not identified any current market transactions which are comparable to allow the use of the market approach.

(ii) *The cost approach*

The Valuer considered that the cost approach to be inappropriate for the Valuation as it ignores the economic benefits contributed by the underlying assets of the Project Companies.

(iii) The income approach

The Valuer considered that the income approach to be the most appropriate for the Valuation as it allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows to be generated by the Project Companies. The Valuation is arrived at based on the present worth of future economic benefits to be derived from the projected income, assuming no major change in the local government policies and regulations.

In view of the above and based on our discussion with the Valuer, we consider the income approach is the most appropriate methodology for the Valuation which is in line with market practice.

We were given to understand that in using DCF under income approach, the Valuer has determined a discount rate for each of the Project Companies in discounting the respective future cash flows generated, and the capital asset pricing model ("CAPM") has been used in calculating such basic discount rate used in the Valuation.

The discount rate calculated under the CAPM has factored into (i) the risk free rate; (ii) market premium; (iii) company specific risk; (iv) country risk premium; (v) size premium; (vi) relevered beta based on the betas, being 5-year weekly beta, of a number of comparable companies, which the Valuer has sourced from Bloomberg and Hong Kong Monetary Authority Exchange Fund Bills and Notes Official Fixings; and (vii) illiquidity premium. Such comparable companies are companies (i) listed on the Stock Exchange which are engaged in similar business to that of the Target Group, i.e. operation of toll roads in the PRC; and (ii) listed during the period from 6 January 2006 to 31 December 2010 in order to generate 5-year weekly beta for the calculation. As such, we are of the view that it is fair and reasonable to derive the beta from such comparable companies. The inclusion of illiquidity premium in calculating the discount rate is to reflect the lack of marketability of the equities of the Project Companies, being private companies. Considering (i) the lower liquidity of the equity of private companies compared with that of publicly traded companies; and (ii) that the illiquidity premium, which the same rate is applied by the Valuer to other private companies of similar size as the Project Companies, is in line with market practice, we are of the view that the illiquidity premium is fair and reasonable.

Moreover, we note that in determining the Valuation, the Valuer had taken into consideration information provided by the Company and the Target Group, and relied on the projections of revenue of each of the Expressways during their respective concession period based on the Traffic Report. The Traffic Report includes the projections for traffic flow and revenue stream of each of the Expressways from 2011 to 2040 (as in the case of Shenzhen Eastern Expressway from 2014 to 2040 and Shenzhen Qingping Expressway from 2013 to 2040, taking into account factors including expected GDP growth rate in the Guangdong Province, PRC, vehicle types, existing and future toll rate, existing road network and future development plans of the transportation system of the districts connected by each of the Expressways. The Valuer in performing the Valuation has used the average of the traffic flow and revenue stream forecasts under the optimistic and conservative scenarios. The Valuer confirmed that they have satisfied themselves with regard to the qualification and professional competency of PBA in the preparation of the Traffic Report and they believed that the information and the forecasts of traffic flow and revenue stream of each of the Expressways during their respective concession period as stated in the Traffic Report are reasonable and justifiable. Having obtained and reviewed the worksheet prepared by PBA and discussed with PBA on the revenue projections, we are of the opinion that the Traffic Report provides a reasonable basis for the Valuer to produce the Valuation.

During the course of our discussions with the Valuer and after reviewing the data and the calculation work provided by the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the methodology, principal bases and assumptions used in arriving the Valuation.

4.2 The Consideration Shares

The issue price of HK$1.28 per Consideration Share represents:

(i) a discount of approximately 7.25% to the closing price of HK$1.38 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 7.25% to the average closing price of HK$1.38 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 7.91% to the average closing price of HK$1.39 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 7.91% to the average closing price of HK$1.39 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 3.76% to the closing price of HK$1.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 2.40% to the average closing price of HK$1.25 per Share as quoted on the Stock Exchange for the one year ended the Last Trading Day.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue on the date of such allotment and issue.

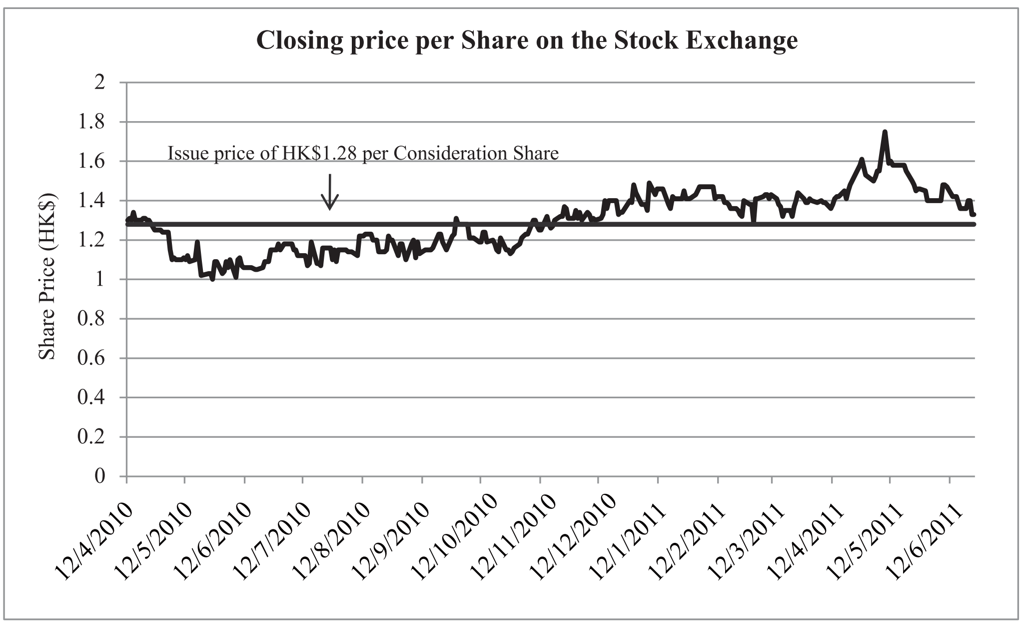
We note that the issue price of HK$1.28 per Consideration Share is equivalent to the average of the closing prices of the Share as quoted on the Stock Exchange for the last 200 consecutive trading days up to and including the Last Trading Day.

In assessing the fairness and reasonableness of the issue price of the Consideration Share, we have conducted analyses on (i) the historical trading performance of the Share; and (ii) the issue price of consideration share of comparable transactions, details of which are set out below:

4.3 Analysis on the historical trading price performance of the Share

Chart 1 below shows the historical daily closing prices of the Share versus the issue price of the Consideration Share for the period from 12 April 2010 to 23 June 2011, being the 14-month period up to and including the Latest Practicable Date (the "Relevant Period").

Chart 1: Historical closing prices of the Share

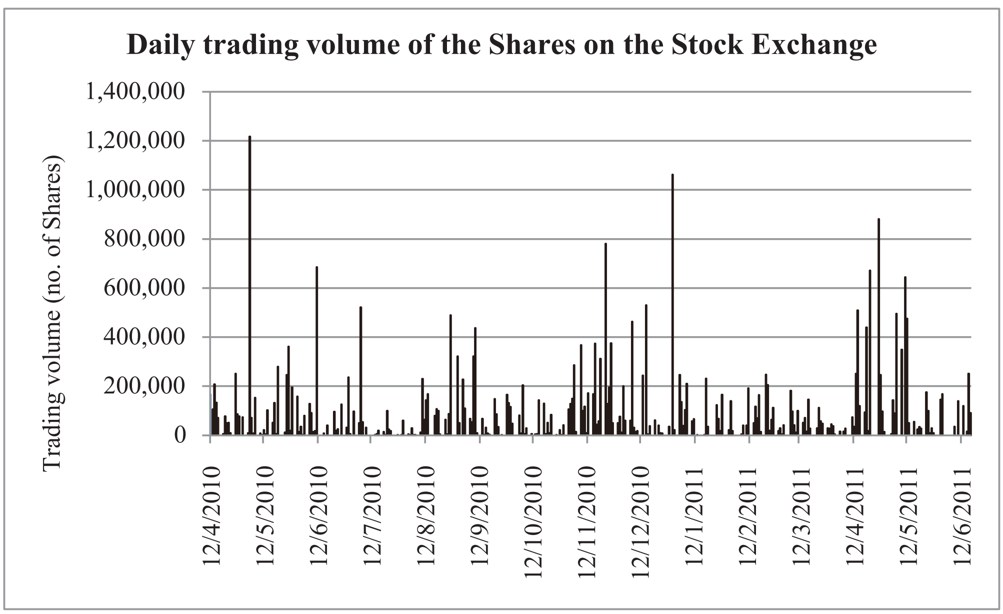


Source: The Stock Exchange

The issue price of the Consideration Share represents a minor discount of approximately 0.78% over the average closing price of the Share of approximately HK$1.29 during the Relevant Period and falls within the range of the Share prices during the Relevant Period. As shown in Chart 1 above, the Share has been constantly traded below HK$1.28 from April 2010 to October 2010, save for a few occasions when the Share was traded slightly above HK$1.28 during the said period. Following the issue of the Announcement, the Share price surged from HK$1.38 on the Last Trading Day to HK$1.75 on 9 May 2011 and subsequently returned to HK$1.33 on the Latest Practicable Date. Save for the announcement of the Company dated 27 December 2010 in relation to the leasing of a land by an indirect non-wholly owned subsidiary of the Company to an independent third party and the Announcement, the Company did not issued any other announcement which is price-sensitive in nature from November 2010 to the Latest Practicable Date and the Directors confirmed that they were not aware of the reason for the increasing trend of the Share price during the said period. Despite the rising trend of the Company's Share price, given such increase is not supported by the improvement of financial performance of the Group and the thin liquidity of the Shares as described below, we consider that the rising trend in the Share price may likely be due to market speculations, in particular of the surge in the Share price following the issue of the Announcement which may likely be due to positive market sentiment towards the Acquisition, and may not be reflective of the fundamentals of the Company.

Chart 2 below shows the historical daily trading volume of the Share on the Stock Exchange for the Relevant Period.

Chart 2: Historical daily trading volume of the Share



Source: The Stock Exchange

As shown in Chart 2 above, the average daily trading volume during the Relevant Period was approximately 101,663 Shares, representing approximately 0.025% of the issued share capital of the Company as at the Latest Practicable Date. We note that the average daily trading volume of the Shares during the Relevant Period accounted for only a small portion of the issued share capital of the Company, which range from nil to approximately 1,218,000 Shares, representing up to approximately 0.30% of the issued share capital of the Company. Based on the above, the trading volume of the Shares during the Relevant Period was very thin, which the average daily trading volume accounted for less than 1% of the total number of the Shares in issue in all months during the Relevant Period.

In assessing the fairness and reasonableness of the issue price of the Consideration Share, we have considered the following:

a) the issue price of the Consideration Share represents a minor discount of approximately 0.78% over the average closing price of the Share for the Relevant Period and falls within the range of the Share prices during the Relevant Period;

b) the average daily trading volume of the Shares during the Relevant Period of approximately 101,663 Shares, which represents only 0.025% of the issued share capital of the Company as at the Latest Practicable Date; and

c) the entire Consideration of the Acquisition is to be satisfied solely by the allotment and issue of the Consideration Shares and involving no cash outlay of the Company, which reduces the financial burden of the Group in raising necessary funding for the Acquisition.

In view of the aforesaid factors, we are of the view that it is justifiable for the issue price of the Consideration Share to be set at a discount to the closing price of the Share on the Last Trading Day.

4.4 Analysis on issue price of consideration share of comparable transactions

We have researched on transactions announced by companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange in the past six months immediately preceding the Last Trading Day which (i) constitute very substantial acquisition; and (ii) involve the issue of shares as part of consideration (the "Comparable Transactions"), the analysis on which we consider reasonable in forming a basis for comparison on the issue price of consideration share. We have, to our best effort, identified and made references to, so far as we are aware, 15 Comparable Transactions which is an exhaustive list for the selected period based on the aforesaid selection criteria. Details of our analyses are set out in the following tables:

Table 6: Analysis on consideration shares of Comparable Transactions

Company name	Stock Code	Date of announcement	Premium/ (discount) of the issue price of the consideration share over/to the closing price as at the respective last trading day *Approximate %*
China Post E Commerce (Holdings) Limited	8041	14/4/2011	(0.71)
Wing Hing International (Holdings) Limited	621	4/4/2011	(31.67)
The Hong Kong Building and Loan Agency Limited	145	27/2/2011	(19.20)
Media China Corporation Limited	419	22/2/2011	2.94
CT Holdings (International) Limited	1008	2/2/2011	(29.78)
Fulbond Holdings Limited	1041	2/2/2011	—
China Digital Licensing (Group) Limited	8175	21/1/2011	(3.57)
China Post E Commerce (Holdings) Limited	8041	6/1/2011	(19.35)
Kunlun Energy Company Limited	135	31/12/2010	(16.90)
Golden Resorts Group Limited	1031	14/12/2010	(3.61)
Catic Shenzhen Holdings Limited	161	5/12/2010	(3.43)
Mayer Holdings Limited	1116	12/11/2010	3.77
China Lumena New Materials Corp.	67	7/11/2010	7.51
King Stone Energy Group Limited	663	4/11/2010	(14.53)
Minmetals Resources Ltd	1208	19/10/2010	(52.20)
Mean			**(12.05)**
Median			**(3.61)**
Maximum			**7.51**
Minimum			**(52.20)**
The Acquisition			**(7.25)**

Source: The Stock Exchange

As shown in Table 6 above, the premium/discount represented by the issue price per consideration share issued under each of the Comparable Transactions over/to the respective share closing price on the last trading day ranges from a premium of approximately 7.51% to a discount of approximately 52.20% with a mean of a discount of approximately 12.05% and a median of a discount of approximately 3.61%. It is noted that the discount of approximately 7.25% represented by the issue price of the Consideration Shares to the closing price of the Share on the Last Trading Day falls within the range and is above the median and below the mean in the analysis.

Considering that the discount represented by the issue price of the Consideration Share falls within the range and is below the mean of that of the Comparable Transactions, we are of the view that such rate of discount is justifiable.

Based on the above analyses on (i) the historical trading performance of the Share; and (ii) the consideration shares of Comparable Transactions, we consider that the issue price of the Consideration Share is justifiable and is in the interests of the Company and the Shareholders as a whole.

After taking into account that (i) the reasons for, and the benefits of, the Acquisition as discussed above; (ii) the Consideration represents a discount of approximately 67.84% to the Valuation of the Project Companies alone; (iii) the methodology, principal bases and assumptions of the Valuation of the Project Companies are reasonable; and (iv) the issue price of the Consideration Share is justifiable based on the Share price analysis and the Comparable Transaction analysis as set out above, we consider that the principal terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

5. Financial impact of the Acquisition

(a) Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix III to the Circular, the unaudited total assets of the Enlarged Group would increase by approximately 520.87% from approximately HK$1,253.60 million as at 31 December 2010 to approximately HK$7,783.17 million and the unaudited total liabilities of the Enlarged Group would increase by approximately 888.41% from approximately HK$557.38 million as at 31 December 2010 to approximately HK$5,509.21 million, assuming the Acquisition and the Placing took place on 31 December 2010.

(b) Liquidity

Based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix III to the Circular, the cash and cash equivalents of the Enlarged Group will increase by approximately 969.40%, from approximately HK$157.23 million as at 31 December 2010 to approximately HK$1,681.41 million, assuming the Acquisition and the Placing took place on 31 December 2010.

(c) Earnings

Upon completion of the Acquisition and the Placing, the Target Group will become a wholly-owned subsidiary of the Group and the financial results of the Target Group will be consolidated into that of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix III to the Circular, the unaudited profit after tax of the Enlarged Group would increase by approximately HK$242.58 million from approximately HK$(11.64) million as at 31 December 2010 to approximately HK$230.94 million.

(d) Gearing ratio

According to the annual report of the Company for the year ended 31 December 2010, the gearing ratio of the Group was approximately 41.79%, calculated based on the total debt net cash and cash equivalent (approximately HK$290.98 million) over total equity (approximately HK$696.22 million). Upon completion of the Acquisition and the Placing, based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix III to the Circular, the gearing ratio will increase to approximately 93.39% with total debt net of cash and cash equivalents and total equity approximately HK$2,123.66 million and HK$2,273.96 million respectively.

As noted from the above analyses, the Acquisition shall have a positive effect on the Group's earnings while the position of assets and liabilities, liquidity and gearing ratio of the Group shall be adversely impacted. Having considered that (i) the Target Group had been profit-making for the three years ended 31 December 2010; (ii) the long-term nature of the Expressways; and (iii) the future potential of the Expressways as mentioned above, we are of the view that the negative impacts of the Acquisition on the position of assets and liabilities, liquidity and gearing ratio of the Group upon completion of the Acquisition and the Placing are commercially justifiable.

RECOMMENDATIONS

Having considered the abovementioned principal factors and reasons, we consider that the Acquisition is in the ordinary and usual course of business of the Company and that the terms of the Share Purchase Agreement are normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve, among others, the Share Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended 31 December 2008, 2009 and 2010 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.huayu.com.hk):

- prospectus of the Company dated 11 December 2009 published on 10 December 2009 (pages I-1 to I-53);
- annual report of the Company for the year ended 31 December 2009 dated 23 April 2010 published on 28 April 2010 (pages 23-68); and
- annual report of the Company for the year ended 31 December 2010 dated 24 March 2011 published on 12 April 2011 (pages 22-70).

2. INDEBTEDNESS STATEMENT

As at the close of business on the 30 April 2011, the Enlarged Group had aggregate banking facilities of approximately HK$12,805 million, among which approximately HK$4,645 million had been utilized by the Enlarged Group as at that date.

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of the business, as at the close of business on the Latest Practicable Date, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of opinion that, taking into account of its internal resources of the Group, the banking and credit facilities available to the Group and the Target Group, the proceeds under the Proposed Placing which will be conducted prior to Completion of the Acquisition, the Group has, and the Enlarged Group will have sufficient working capital for its present requirements, that is for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2010, the date to which the latest audited financial statements of the Company were made up.

As at 31 December 2010, the Group has net current assets of HK$133.36 million. Notwithstanding that, as at 31 December 2010, the Target Group incurred net current liabilities of approximately HK$1,799 million. In view of internal resources of the Group, the availability of the banking and credit facilities to the Group and the Target Group, the proceeds under the Proposed Placing which will be conducted prior to Completion of the Acquisition, the Directors consider that the Acquisition will not affect the ability of the Group (and the Enlarged Group upon Completion of the Acquisition) to operate as a going concern.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 June 2011

The Directors
Huayu Expressway Group Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Sumgreat Investments Limited ("Sumgreat") and its subsidiaries (hereinafter collectively referred to as the "Target Group") including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group, for each of the years ended 31 December 2008, 2009 and 2010 (the "Relevant Period"), and the combined statements of financial position of the Target Group as at 31 December 2008, 2009 and 2010, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular of Huayu Expressway Group Limited (the "Company") dated 24 June 2011 (the "Circular").

Sumgreat is a limited liability company incorporated in the British Virgin Islands ("BVI") on 7 July 2006. Pursuant to a group reorganisation completed on 8 February 2011 (the "Reorganisation"), Sumgreat became the holding company of the companies now comprising the Target Group, details of which are set out in Section A below.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in Note 1 (b) of Section C. No audited financial statements have been prepared for Sumgreat and Pagasus (Holdings) Limited ("Pagasus"), as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The statutory financial statements of Fameluxe Investment Limited ("Fameluxe") were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The statutory financial statements of the entities in the People's Republic of China (the "PRC") were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the PRC.

The directors of Sumgreat have prepared the combined financial statements of the Target Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of Sumgreat based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Sumgreat are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Sumgreat determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of Sumgreat, its subsidiaries or the Target Group in respect of any period subsequent to 31 December 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Target Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Target Group as at 31 December 2008, 2009 and 2010.

A BASIS OF PREPARATION

Shenzhen Huayu Investment & Development Group Co., Ltd. (深圳華昱投資開發(集國)有限公司) ("Huayu Investment") was established in Shenzhen, the PRC on 22 July 1993 as a company with limited liability under the Company Law of the PRC. Huayu Investment serves as the Target Group's intermediate holding company of the operating subsidiaries in the PRC, in addition to its own construction business.

On 28 September 2009, Sumgreat entered into equity transfer agreements with Shenzhen Haorancheng Industry Co., Ltd. (深圳市浩然成實業有限公司) ("Haorancheng"), Shenzhen Anrancheng Industry Development Co., Ltd. (深圳安然成實業發展有限公司) ("Anrancheng"), Silver Genius Holdings Ltd. (銀展集團有限公司) ("Silver Genius"), China Road Works Investments (Holdings) Ltd.(中國路橋投資(集團)有限公司) ("China Road Works") and Yunnan Kunhua Trading Co., Ltd. (雲南昆華貿易總公司) ("Yunnan Kunhua") to acquire their equity interests in Huayu Investment of 21.43%, 34.29%, 5.14%, 3.86% and 1.29% respectively for a consideration of RMB75,000,000, RMB120,000,000, RMB18,000,000, RMB13,500,000 and RMB4,500,000, respectively. The equity transfers were completed on 8 December 2010.

On 8 February 2011, Sumgreat entered into an equity transfer agreement with China Long Glory Group Limited and Top Talent Holdings Limited to acquire their 100% equity interest in Fameluxe of 99.99% and 0.01% for a consideration of HK$9,999 and HK$1, respectively.

On 8 February 2011, Sumgreat entered into an equity transfer agreement with Mr Chan Yeung Nam, to acquire his 100% equity interest in Pagasus, and Pagasus became a wholly owned subsidiary of Sumgreat.

After the above acquisitions, Huayu Investment, Fameluxe, and Pagasus became wholly owned subsidiaries of Sumgreat.

As the ultimate controlling shareholder which controlled Pagasus, Fameluxe, Haorancheng, Anrancheng, Silver Genius, China Road Works and the Target Group before and after the Reorganisation is the same and, consequently there was a continuation of the risks and benefits to the ultimate controlling shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented. The net assets of the companies now comprising the Target Group are combined using the existing book values from the ultimate controlling shareholder's perspective.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Target Group as set out in Sections B1, B2, B4 and B5 below respectively include the results of operations of the companies now comprising the Target Group for the Relevant Period (or where the companies were established at a date later than 1 January 2008, for the period from their respective dates of establishment to 31 December 2010) as if the current group structure had been in existence throughout the entire Relevant Period. The combined statements of financial position of the Target Group as at 31 December 2008, 2009 and 2010 as set out in Section B3 below have been prepared to present the state of affairs of the companies comprising the Target Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, Sumgreat had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Pagasus	British Virgin Islands 2 August 2001	USD10,000/ USD50,000	100%	—	Investment holding
Fameluxe	Hong Kong 4 June 1997	HK$10,000	100%	—	Investment holding
Huayu Investment	Shenzhen, the PRC 22 July1993	RMB350,000,000	80.29%	19.71%	Construction, operation and management of an expressway in the PRC and construction of municipal roads
Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Expressway") (深圳清龍高速公路有限公司)	Shenzhen, the PRC 13 January 1995	RMB100,000,000	—	60%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Expressway") (深圳市華昱高速公路投資有限公司)	Shenzhen, the PRC 18 January 2002	RMB150,000,000	—	60%	Construction, operation and management of an expressway in the PRC

Name of company	Place and date of incorporation/ establishment	Issued and fully paid/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Shenzhen Huayu Qingping Expressway Co., Ltd. ("Qingping Expressway") (深圳華昱清平高速公路有限公司)	Shenzhen, the PRC 21 January 2009	RMB300,000,000	—	100%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Eastern Expressway Co., Ltd. ("Eastern Expressway") (深圳華昱東部高速公路有限公司)	Shenzhen, the PRC 15 June 2009	RMB300,000,000	—	70%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Telecommunication Devices Development Co., Ltd. ("Huayu Telecom") (深圳市華昱電信設備發展有限公司)	Shenzhen, the PRC 4 November 1994	RMB10,000,000	—	80%	Development and distribution of telecom equipments
Shenzhen Yonganran Engineering and Construction Co., Ltd. ("Yonganran") (深圳市永安然工程建設有限公司)	Shenzhen, the PRC 24 December 2003	RMB25,000,000	—	60%	Construction of municipal roads
Shenzhen Huayu Culture Broadcasting Co., Ltd. ("Huayu Culture") (深圳市華昱文化傳播有限公司)	Shenzhen, the PRC 17 November 1994	RMB5,000,000	—	80%	Design and consultancy services of corporate images

The English translation of the company names is for reference only. The official names of these companies are in Chinese.

B COMBINED FINANCIAL INFORMATION

1 Combined income statements

		Year ended 31 December		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*3*	460,070	1,010,856	2,098,754
Cost of services		(117,819)	(581,324)	(1,614,351)
Gross profit		342,251	429,532	484,403
Other revenue	*4*	36,191	8,919	17,137
Other loss	*5*	(10,804)	(6,547)	(4,691)
Administrative expenses		(56,061)	(58,463)	(35,996)
Profit from operations		311,577	373,441	460,853
Finance costs	*6(a)*	(143,503)	(139,198)	(126,446)
Share of losses of associates		(4)	(537)	—
Gain on disposal of a subsidiary	*2*	9,973	—	—
Profit before taxation		178,043	233,706	334,407
Income tax	*7(a)*	(22,461)	(63,190)	(91,830)
Profit for the year		155,582	170,516	242,577
Attributable to:				
— Equity shareholders of Sumgreat		98,038	69,962	120,302
— Non-controlling interests		57,544	100,554	122,275
Profit for the year		155,582	170,516	242,577

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	155,582	170,516	242,577
Other comprehensive income			
— Exchange differences	36,909	5,420	35,326
Total comprehensive income for the year	192,491	175,936	277,903
Attributable to:			
— Equity shareholders of Sumgreat	129,146	75,105	149,054
— Non-controlling interests	63,345	100,831	128,849
Total comprehensive income for the year	192,491	175,936	277,903

The accompanying notes form part of the Financial Information.

3 Combined statements of financial position

		At 31 December		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*12*	10,396	12,160	18,941
Intangible assets	*13*	2,125,941	2,314,496	3,855,951
Prepayments	*18*	29,059	6,328	678,944
Interest in associates	*14*	51,833	54,783	—
Other financial assets	*16*	—	31,832	69,911
Deferred tax assets	*24(b)*	1,461	81	—
Total non-current assets		2,218,690	2,419,680	4,623,747
Current assets				
Inventories	*17*	1,129	879	1,480
Trade and other receivables	*19*	731,215	1,710,763	449,017
Cash and cash equivalents	*20*	468,202	1,058,553	524,187
Total current assets		1,200,546	2,770,195	974,684
Current liabilities				
Trade and other payables	*21*	(677,874)	(717,830)	(1,448,568)
Bank loans	*22*	(260,901)	(2,522,142)	(1,256,168)
Current taxation	*24(a)*	(29,175)	(42,390)	(69,063)
Total current liabilities		(967,950)	(3,282,362)	(2,773,799)
Net current assets/(liabilities)		232,596	(512,167)	(1,799,115)
Total assets less current liabilities		2,451,286	1,907,513	2,824,632
Non-current liabilities				
Deferred tax liabilities	*24*	(79,854)	(77,164)	(77,765)
Bank loans	*22*	(1,879,618)	(1,269,024)	(2,100,690)
Total non-current liabilities		(1,959,472)	(1,346,188)	(2,178,455)
NET ASSETS		491,814	561,325	646,177

3 Combined statements of financial position *(Continued)*

		At 31 December		
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves	*25*			
Share capital		88	88	88
Reserves		301,063	380,199	471,745
Total equity attributable to equity shareholders of Sumgreat		301,151	380,287	471,833
Non-controlling interests		190,663	181,038	174,344
TOTAL EQUITY		491,814	561,325	646,177

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

		Attributable to equity shareholders of Sumgreat							
	Section C Note	Share capital HK$'000	Other reserves HK$'000	General reserve fund HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2008		88	91,861	4,985	2,774	72,297	172,005	82,946	254,951
Changes in equity for 2008:									
Profit for the year		—	—	—	—	98,038	98,038	57,544	155,582
Other comprehensive income									
— Exchange differences		—	—	—	31,108	—	31,108	5,801	36,909
Disposal of a subsidiary		—	—	—	—	—	—	(5,355)	(5,355)
Change of a joint venture to a subsidiary		—	—	—	—	—	—	116,535	116,535
Profit appropriation-other surplus reserve		—	—	6,580	—	(6,580)	—	—	—
Dividends declared in respect of the current year		—	—	—	—	—	—	(66,808)	(66,808)
Balance at 31 December 2008 and 1 January 2009		88	91,861	11,565	33,882	163,755	301,151	190,663	491,814
Changes in equity for 2009:									
Profit for the year		—	—	—	—	69,962	69,962	100,554	170,516
Other comprehensive income									
— Exchange differences		—	—	—	5,143	—	5,143	277	5,420
Disposal of subsidiaries to related parties	*25(b)(i)/2*	—	4,031	—	—	—	4,031	—	4,031
Dividends declared in respect of the current year		—	—	—	—	—	—	(110,456)	(110,456)
Balance at 31 December 2009 and 1 January 2010		88	95,892	11,565	39,025	233,717	380,287	181,038	561,325
Profit for the year		—	—	—	—	120,302	120,302	122,275	242,577
Other comprehensive income									
— Exchange differences		—	—	—	28,752	—	28,752	6,574	35,326
Disposal of associates to related parties	*25(b)(i)/2*	—	191,098	—	—	—	191,098	—	191,098
Arising from the Reorganisation	*25(b)(i)/2*	—	(81,139)	—	—	(170,849)	(251,988)	(7,453)	(259,441)
Disposal of subsidiaries to related parties	*25(b)(i)/2*	—	3,382	—	—	—	3,382	(139)	3,243
Profit appropriation other surplus reserve		—	—	7,685	—	(7,685)	—	—	—
Dividends declared in respect of the current year		—	—	—	—	—	—	(127,951)	(127,951)
Balance at 31 December 2010		88	209,233	19,250	67,777	175,485	471,833	174,344	646,177

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	Note	2008 HK$'000	2009 HK$'000	2010 HK$'000
Operating activities				
Cash generated from operations	20(b)	472,458	386,761	481,772
PRC Tax paid	24(a)	(10,119)	(52,627)	(64,644)
Net cash generated from operating activities		462,339	334,134	417,128
Investing activities				
Payment for the purchase of property, plant and equipment		(5,086)	(7,024)	(11,118)
Payment for intangible assets		(47,270)	(254,701)	(2,027,637)
Proceeds from sale of property, plant and equipment		123	—	137
Interest received		1,916	1,735	9,392
Investment in other financial assets		—	(9,553)	(35,385)
Disposal of subsidiaries	2	14,696	114,892	2,940
Disposal of associates		65,200	—	—
Change from a jointly control entity to a subsidiary		14,898	—	—
Acquisition of Non-controlling interests		—	—	(5,159)
Net cash generated from/(used in) investing activities		44,477	(154,651)	(2,066,830)

5 Combined cash flow statements *(Continued)*

	Note	**2008** *HK$'000*	**2009** *HK$'000*	**2010** *HK$'000*
Financing activities				
(Decrease)/increase in amount due to related parties		(203,709)	(956,586)	1,375,959
Proceeds from long-term bank loans		1,170,007	3,776,886	1,275,239
Repayment of bank loans		(1,360,437)	(2,132,296)	(1,839,839)
Loan from shareholder		—	—	202,420
Proceeds from non-controlling shareholder		—	—	317,992
Disposal of associates to shareholder		—	—	245,881
Repayment of advances from shareholder		(140,495)	(19,453)	—
Interest paid		(143,503)	(151,977)	(126,446)
Dividend paid		(66,808)	(110,456)	(127,951)
Payment for acquisition of interest in Huayu Investment	*25(b)(i)*	—	—	(259,682)
Net cash (used in)/generated from financing activities		(744,945)	406,118	1,063,573
Net (decrease)/increase in cash and cash equivalents		(238,129)	585,601	(586,129)
Cash and cash equivalents at beginning of the year		642,899	468,202	1,058,553
Effect of foreign exchange rate changes		63,432	4,750	51,763
Cash and cash equivalents at end of the year	*20*	468,202	1,058,553	524,187

The accompanying notes form part of the Financial Information.

C NOTES TO COMBINED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2010 are set out in note 31.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all years presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises Sumgreat and its subsidiaries and has been prepared using the merger basis of accounting as if the current group structure had always been in existence, as further explained in Section A.

Details of the Companies comprising of the Target Group that are subject statutory audit during the Relevant Period and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
Huayu Investment	Year ended 31 December 2008, 2009 and 2010	Guangzhou Shucheng Certified Public Accountants Co., Ltd. 廣州數誠會計師事務所有限公司
Qinglong Expressway	Year ended 31 December 2008	Carea Schinda Certified Public Accountants Co., Ltd. 開元信德會計師事務所有限公司
	Year ended 31 December 2009 and 2010	Pan-China Certified Public Accountants Co., Ltd. 天健會計師事務所有限公司

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation and presentation *(Continued)*

Name of company	Financial period	Statutory auditors
Huayu Expressway	Year ended 31 December 2008	Carea Schinda Certified Public Accountants Co., Ltd. 開元信德會計師事務所有限公司
	Year ended 31 December 2009 and 2010	Pan-China Certified Public Accountants Co., Ltd. 天健會計師事務所有限公司

At 31 December 2010, the Target Group's net current liabilities were HK$1,799,115,000. The directors of Sumgreat are of the opinion that the Target Group are able to continue as a going concern and to meet their obligations, as and when they fall due, having regard to the following:

i. the Target Group expects to continue to have positive net operating cash inflow in 2011;

ii. the controlling shareholder will continue to provide personal guarantee to the banks for the Target Group's existing bank loans and banking facilities;

iii. approval from the banks of the Target Group's for the renewal of the existing short term loans can be obtained upon expiration;

iv. the Target Group had unutilised bank facilities of HK$1,884,790,000 at 31 December 2010; and

v. the controlling shareholder of the Target Group undertakes that repayment of advances of HK$563,631,000 at 31 December 2010 will not be requested until the Target Group is in a position to maintain sufficient fund for its operation.

The directors believe that the Target Group will have sufficient cash resources to satisfy its future working capital and other operating needs. Accordingly, the Financial Information has been prepared on a going concern basis.

(c) Basis of measurement

The Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to nearest thousand except when otherwise indicated. It is prepared on the historical cost basis except that financial instruments classified as available for sale are stated at their fair value as explained in the accounting policies set out below.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. Control exists when the Target Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to Sumgreat, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholders of Sumgreat. Non-controlling interests in the results of the Target Group are presented on the face of the combined income statement and the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of Sumgreat. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statement of financial position in accordance with notes 1(o) or (p) depending on the nature of the liability.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(f)).

In Sumgreat's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

(f) Associates and jointly controlled entities

An associate is an entity in which the Target Group or Sumgreat has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Target Group and other parties, where the contractual arrangement establishes that the Target Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost adjusted for excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(l)(i) and 14). Any acquisition date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the Financial Information, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Target Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method together with the Target Group's long-term interests that in substance form part of the Target Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the company's statements of financial position, investments in associates are stated at cost less impairment losses (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates and jointly controlled entities *(Continued)*

The Target Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Target Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Target Group's Financial Information. The Target Group recognises the portion of gains or losses on the sale of assets by the Target Group to the jointly controlled entities that it is attributable to the other venturers. The Target Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Target Group's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Since 1 January 2010, when the Target Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)). While before 1 January 2010, such transactions were accounted for as partial disposal. The retained interest was recorded at book value before such transactions.

(g) Other investments in equity securities

The Target Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)).

(h) Business combinations involving entities under common control

Investments in equity securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(u)(v). When these investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Target Group commits to purchase/sell the investments.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Business combinations involving entities under common control *(Continued)*

Merger accounting is adopted for common control combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase, to the extent of the continuation of the controlling interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the previous statement of financial position date or when they first came under common control, whichever is shorter.

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses (see note 1(l)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	10-20 years
Office equipment	3-5 years
Motor vehicles	4-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets — Service concession arrangements

The Target Group has entered into contractual service arrangements with local government authorities for its participation in the construction, operation and management of expressways in the PRC. The Target Group carries out the construction of the expressways for the granting authorities and receives in exchange for the right to operate the expressways concerned and the entitlements to toll fees collected from users of the concession infrastructures.

The Target Group recognises intangible assets arising from service concession arrangements when it has a right to charge for usage of the concession infrastructures. The concession grantors have not provided any contractual guarantee in respect of the amounts of construction costs incurred to be recoverable. Intangible assets received as consideration for providing construction work and project management services in service concession arrangements are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and any impairment losses (see note 1(l)(ii)).

Land collection costs incurred in conjunction with the service concession arrangements are recognised as intangible assets acquired under the service concession arrangements.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation of concession intangible assets related to roads is calculated to write off their costs on a units-of-usage basis according to the HK Int-1, 'The Appropriate Policies for Infrastructure Facilities', issued by the Hong Kong Institute of Certified Public Accountants, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Target Group is granted the rights to operate those roads.

Amortisation of concession intangible assets related to roadside buildings and equipments is calculated to write off the cost using the straight line method over their estimated useful lives as follows:

Toll collection equipment	5-10 years
Buildings	5-24 years

It is the Target Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

Where the Target Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events.

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates (including those recognised using the equity method (see note 1(f))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(f). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets — service concession arrangements.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories comprise toll tickets and spare parts and consumable supplies for the repairs and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in intangible assets — service concession arrangements not yet recognised as an expense.

(iii) Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(s) **Income tax** *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Toll revenue

Toll revenue from operation of toll roads is recognised on a receipt basis, net of business tax and surcharges.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(ii) Revenue from construction work and project management services under the service concession arrangement

Revenue from construction work and project management services under the service concession arrangement is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the construction costs and project management fees incurred up to the statement of financial position date as a percentage of total estimated costs for each contract.

(iii) Construction management services income

Construction management services income represents the amount of cost savings (the "Savings") achieved in road construction management projects engaged by the Target Group which are determined by comparing the total actual construction costs with the budgeted total construction costs of the projects; or represents a proportion of the Savings as defined in the service agreements entered into with the contract parties.

When the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(iv) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(v) Dividends

Dividend income is recognised when a shareholder's right to receive payment has been established.

(v) Translation of foreign currencies

For the purpose of presenting the Financial Information, the Target Group adopted Hong Kong dollars as its presentation currency. The functional currency of the Company and the subsidiaries incorporated in Hong Kong or BVI is HKD and the functional currency of the subsidiaries established in the PRC is Renminbi ("RMB").

Foreign currency transactions during the year are translated into the functional currency of the entity at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the foreign exchange rates ruling at the statement of financial position date. Exchange gains and losses are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies *(Continued)*

The results of foreign operation are translated into the presentation currency of the Target Group at the exchange rates approximating the foreign exchange rates ruling at the dates of the transaction. Statement of financial position items are translated into the presentation currency of the Target Group at the foreign exchange rates ruling at the statement of financial position date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Target Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Group or exercise significant influence over the Target Group in making financial and operating policy decisions, or has joint control over the Target Group;

(ii) the Target Group and the party are subject to common control;

(iii) the party is an associate of Target Group or a joint venture in which the Target Group is a venturer;

(iv) the party is a member of key management personnel of the Target Group or the Target Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target Group or of any entity that is a related party of the Target Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the Financial Information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Huayu Property Development Company Limited ("Huayu Property")

On 2 February 2008, the Target Group disposed of 70% equity interest in Huayu Property, to an independent third parties. The total consideration received was HK$22,468,000 (RMB 20,000,000).

	HK$'000
Net assets disposed of:	
Trade and other receivables	14,517
Cash	7,772
Trade and other payables	(4,439)
Non controlling interests	(5,355)
	12,495
Gain on disposal of Huayu Property	9,973
Cash received	22,468

Analysis of the net inflow of cash and cash equivalent in respect of the disposal of subsidiary

Cash consideration	22,468
Cash disposal of	7,772
Net inflow of cash and cash equivalents in respect of disposal of subsidiary	14,696

2 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Hunan Daoyue Expressway Industry Co., Ltd. ("Hunan Daoyue")

On 17 March 2009, the Target Group disposed of 90% equity interest in Hunan Daoyue to Good Sign Limited, a subsidiary of Huayu Expressway Group Limited. The total consideration received was HK$204,546,000 (RMB180,000,000).

	Note	*HK$'000*
Net assets disposed of:		
Property, plant and equipment		1,991
Deferred tax assets		1,340
Trade and other receivable		67,278
Intangible assets		90,480
Cash		89,654
Trade and other payables		(27,949)
Less: Retained interest recorded as other financial assets		(22,279)
		200,515
Gain on disposal of Hunan Daoyue	*25(b)*	4,031
Cash Received		204,546

Analysis of the net inflow of cash and cash equivalent in respect of the disposal of subsidiary

Cash consideration	204,546
Cash disposal of	89,654
Net inflow of cash and cash equivalents in respect of disposal of subsidiary	114,892

(c) Disposal of other subsidiaries

On 10 December 2010, the Target Group disposed of 70%, 60% and 60% of equity interest in Yanhuang Agriculture Co., Ltd., Huishou Human Resources Co., Ltd. and Yufa Property Management Co., Ltd. to Shenzhen Huayu International Holding Co., Ltd., a related party. The total consideration received was HK$3,573,000 (RMB3,100,000).

	Note	*HK$'000*
Net assets disposed of:		
Property, plant and equipment		806
Trade and other receivable		4,629
Cash		633
Trade and other payables		(5,738)
Non-controlling interest		(139)
		191
Gain on disposal	*25(b)*	3,382
Cash received		3,573

Analysis of the net inflow of cash and cash equivalent in respect of the disposal of subsidiaries

Cash consideration	3,573
Cash disposal of	633
Net inflow of cash and cash equivalents in respect of disposal of subsidiary	2,940

3 TURNOVER

The principal activities of the Target Group are construction, operation and management of expressways in the PRC and provision of construction management services for municipal projects.

Turnover represented revenue from operation of the expressways, project management services under the service and construction service concession arrangement and construction management services for municipal projects. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Toll income	407,918	511,712	602,320
Construction revenue in respect of service concession arrangements	—	444,991	1,464,161
Construction management income	52,040	54,007	30,845
Telecom equipment rental income	112	146	1,428
	460,070	1,010,856	2,098,754

The Target Group's customer base is diversified and includes two customers with whom transactions exceeded 10% of the Target Group's revenues in the Relevant Period. In 2008, revenue from construction management to a customer amounted to HK$48,285,000. In 2009 and 2010, the Target Group's construction revenue in respect of service concession arrangements to a customer amounted to HK$444,991,000 and HK$1,464,161,000, respectively.

4 OTHER REVENUE

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Billboard rental income	3,875	5,419	5,970
Interest income	1,916	1,735	9,392
Service income from land leveling	29,101	—	—
Others	1,299	1,765	1,775
	36,191	8,919	17,137

5 OTHER LOSS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Donation	10,496	6,578	4,681
Others	308	(31)	10
	10,804	6,547	4,691

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(a) Finance costs:			
Interest on bank loans repayable within five years	60,183	82,160	95,894
Interest on bank loans repayable after five years	83,320	69,817	72,599
Less: Interest capitalised *(note(i))*	—	(12,779)	(42,047)
	143,503	139,198	126,446

Notes:

(i) Borrowing costs have been capitalised into intangible assets — service concession arrangements at average rates of 4.779%-5.346% and 4.779%-5.940% per annum for the years ended 31 December 2009 and 2010, respectively.

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(b) Staff costs:			
Salaries, wages and other benefits	24,050	24,215	30,867
Contributions to defined contribution retirement plans	4,554	4,391	5,105
	28,604	28,606	35,972
Less: staff costs capitalised	(735)	(2,780)	(4,575)
	27,869	25,826	31,397

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
(c) Other items:			
Amortisation of service concession arrangements	74,001	102,541	117,731
Depreciation	3,890	3,297	4,289
Gain on disposal of property, plant and equipment	123	—	137
Auditors' remuneration	247	407	342

7 INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Taxation in the combined income statements represents:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current tax expense			
current year	24,424	65,842	90,430
adjustment for prior years	—	—	888
Deferred tax			
Origination and reversal of temporary differences	(1,963)	(2,652)	512
Total income tax in the combined income statements	22,461	63,190	91,830

(i) Pursuant to the rules and regulations of the BVI, Sumgreat and Pagasus are not subject to any income tax in the BVI. The payments of dividends by BVI companies are not subject to any BVI withholding tax.

(ii) No provision has been made for Hong Kong Profits Tax as Fameluxe did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) All other subsidiaries of Sumgreat are incorporated in Shenzhen, the PRC. Prior to 1 January 2008, these subsidiaries were subject to PRC income tax at 15%. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. As a result of the New Tax Law, the income tax rates applicable to these subsidiaries are gradually increased from 15% to 25% over five year (i.e. 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter).

Pursuant to the approval [2003] No.693 issued by Shenzhen Local Tax Bureau Fifth Branch, starting from the first profit-making year from PRC tax perspective, Qinglong Expressway was entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate. This tax holiday is grandfathered under the New Tax Law and its relevant regulations. Qinglong Expressway commenced its tax holiday in 2004. Therefore, the applicable tax rates for Qinglong Expressway are 9% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onwards.

According to the New Tax Law and its relevant regulations, a 10% withholding tax is levied on dividends declared to foreign corporate investors from the PRC for earnings derived from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax treaty arrangement or similar arrangement between the PRC and the jurisdiction of the foreign investor. According to the tax arrangement between Hong Kong Special Administrative Region and the PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from the PRC subsidiaries to the Hong Kong holding companies are subject to 5% withholding income tax rate provided the Hong Kong companies are the "beneficial owners" of the equity interests..

7 INCOME TAX IN THE COMBINED INCOME STATEMENTS *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	178,043	233,706	334,407
Notional tax on profit before taxation	40,792	59,940	85,141
Effect of tax concessions	(32,463)	(15,050)	(11,361)
Tax effect of unused tax losses not recognised	9,366	13,574	11,353
Tax effect of non-deductible expenses	567	609	942
Effect of tax rate differential	—	283	439
PRC dividend withholding tax	4,199	3,834	4,428
Under provision in prior years	—	—	888
Actual tax expense	22,461	63,190	91,830

8 DIRECTORS' REMUNERATION

During the years ended 31 December 2008, 2009 and 2010, no fees, salary, bonuses, retirement scheme contribution, allowances or benefits in kind was paid or payable by Sumgreat to the directors.

During the years ended 31 December 2008, 2009 and 2010, no amount was paid or payable by Sumgreat to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining Sumgreat or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments were directors of Sumgreat during the years ended 31 December 2008 and 2009 and 2010. The remuneration in respect of the five highest paid individuals during the years ended 31 December 2008, 2009 and 2010 is as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other emoluments	795	898	1,145
Bonuses	66	75	95
Contributions to retirement benefit scheme	72	67	61
	933	1,040	1,301

The emoluments of these individuals are within the following band:

	Number of individuals		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
HK$Nil to HK$1,000,000	5	5	5

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Target Group for the Relevant Period on the combined basis as disclosed in Section A.

11 SEGMENT REPORTING

In accordance with the Target Group's internal financial reporting provided to Mr Chan Yeung Nam, the controlling shareholder, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the Target Group is organised into the following three main business segments:

— Toll roads operations;

— Construction under service concessions; and

— Construction management

Other operations mainly comprise provision of advertising services, advisory services and others. There have been no sales being carried out between segments. None of these operations constitutes a separate segment.

(a) Segment result, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and payable attributable to the operating activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Target Group's subsidiaries and share of revenue and expenses arising from the activities of the Target Group's jointly controlled entity. However, sharing of assets and technical know-how is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, Target Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales and the Target Group's share of the jointly controlled entity's revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

11 SEGMENT REPORTING *(Continued)*

(a) Segment result, assets and liabilities *(Continued)*

The segment information provided to the controlling shareholder for the reportable segments for the years ended 31 December 2008, 2009 and 2010 is as follows:

	Toll roads operations *HK$'000*	Construction under service concessions *HK$'000*	Construction management *HK$'000*	Total *HK$'000*
Year ended 31 December 2010				
Reportable segment revenue (from external customers)	602,320	1,464,161	30,845	2,097,326
Reportable segment profit (adjusted EBITDA)	532,850	18,646	22,865	574,361
Depreciation and amortisation	(119,081)	—	(1,365)	(120,446)
Finance income	615	—	—	615
Finance costs	(61,333)	—	—	(61,333)
Reportable segment assets	2,086,130	2,680,913	401,180	5,168,223
Reportable segment liabilities	(642,993)	(2,049,781)	(91,910)	(2,784,684)
Year ended 31 December 2009				
Reportable segment revenue (from external customers)	511,712	444,991	54,007	1,010,710
Reportable segment profit (adjusted EBITDA)	455,308	5,666	50,485	511,459
Depreciation and amortisation	(104,029)	—	(1,390)	(105,419)
Finance income	549	—	—	549
Finance costs	(72,218)	—	—	(72,218)
Reportable segment assets	1,938,476	458,200	345,472	2,742,148
Reportable segment liabilities	(487,342)	(1,322,563)	(75,199)	(1,885,104)
Year ended 31 December 2008				
Reportable segment revenue (from external customers)	407,918	—	52,040	459,958
Reportable segment profit (adjusted EBITDA)	349,068	—	48,899	397,967
Depreciation and amortisation	(74,870)	—	(2,380)	(77,250)
Finance income	470	—	—	470
Finance costs	(78,821)	—	—	(78,821)
Reportable segment assets	2,057,579	137,352	274,423	2,469,354
Reportable segment liabilities	(486,751)	(761,872)	(61,459)	(1,310,082)

11 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit and loss, assets and liabilities

Segment assets and liabilities are reconciled to the Target Group's assets and liabilities at 31 December 2008, 2009 and 2010 as follows:

	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Revenue			
Reportable segment revenue	459,958	1,010,710	2,097,326
Revenue from rental of telecom equipment	112	146	1,428
Combined turnover	460,070	1,010,856	2,098,754
Profit			
Reportable segment profit derived from Target Group's external customers	397,967	511,459	574,361
Share of profits less losses of associates	(4)	(537)	—
Other revenue and net income	36,191	8,919	17,137
Depreciation and amortisation	(77,891)	(105,838)	(122,021)
Finance costs	(143,504)	(139,198)	(126,446)
Unallocated corporate expenses	(34,716)	(41,099)	(8,624)
Combined profits before taxation	178,043	233,706	334,407
Assets			
Reportable segment assets	2,469,304	2,742,148	5,168,223
Interests in associates	51,833	54,783	—
Other investments in equity securities	—	31,832	69,911
Deferred tax assets	1,461	81	—
Unallocated head office and corporate assets	896,638	2,361,031	360,297
Combined total assets	3,419,236	5,189,875	5,598,431
Liabilities			
Reportable segment liabilities	(1,310,082)	(1,885,104)	(2,784,684)
Current tax liabilities	(29,175)	(42,390)	(69,063)
Deferred tax liabilities	(79,854)	(77,083)	(77,765)
Payables to ultimate shareholders	(380,664)	(361,211)	(563,631)
Unallocated head office and corporate liabilities	(1,127,647)	(2,262,762)	(1,457,111)
Combined total liabilities	(2,927,422)	(4,628,550)	(4,952,254)

The Target Group's operating subsidiaries are domiciled in the PRC. All revenue of the Target Group from external customers is generated in the PRC. Besides, most of the assets of the Target Group are located in the PRC. Thus no geographic information is presented.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 January 2008	692	5,973	9,819	16,484
Additions	—	756	4,330	5,086
Addition due to the change from a joint venture to a subsidiary	—	1,836	1,969	3,805
Disposals	—	(241)	(149)	(390)
Exchange adjustments	38	368	578	984
At 31 December 2008	730	8,692	16,547	25,969
At 1 January 2009	730	8,692	16,547	25,969
Additions	—	733	6,291	7,024
Disposal of a subsidiary	—	(93)	(2,137)	(2,230)
Exchange adjustments	2	14	32	48
At 31 December 2009	732	9,346	20,733	30,811
At 1 January 2010	732	9,346	20,733	30,811
Additions	—	6,777	4,341	11,118
Disposals	(741)	(20)	(492)	(1,253)
Exchange adjustments	9	534	879	1,422
At 31 December 2010	—	16,637	25,461	42,098
Accumulated depreciation:				
At 1 January 2008	(83)	(3,415)	(5,283)	(8,781)
Charge for the year	(37)	(1,235)	(2,618)	(3,890)
Addition due to the change from a joint venture to a subsidiary	—	(1,367)	(1,272)	(2,639)
Written back on disposals	—	229	38	267
Exchange adjustments	(5)	(222)	(303)	(530)
At 31 December 2008	(125)	(6,010)	(9,438)	(15,573)
At 1 January 2009	(125)	(6,010)	(9,438)	(15,573)
Charge for the year	(33)	(962)	(2,302)	(3,297)
Disposal of a subsidiary	—	50	189	239
Exchange adjustments	—	(11)	(9)	(20)
At 31 December 2009	(158)	(6,933)	(11,560)	(18,651)
At 1 January 2010	(158)	(6,933)	(11,560)	(18,651)
Charge for the year	(17)	(1,014)	(3,258)	(4,289)
Written back on disposals	177	10	385	572
Exchange adjustments	(2)	(295)	(492)	(789)
At 31 December 2010	—	(8,232)	(14,925)	(23,157)
Net book value:				
At 31 December 2008	605	2,682	7,109	10,396
At 31 December 2009	574	2,413	9,173	12,160
At 31 December 2010	—	8,405	10,536	18,941

13 INTANGIBLE ASSETS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January	1,860,376	2,572,154	2,863,735
Additions	126,822	365,583	1,501,042
Addition due to the change from a joint venture to a subsidiary	499,329	—	—
Disposal of a subsidiary	—	(90,480)	—
Interest capitalised	—	12,779	42,047
Exchange adjustments	85,627	3,699	130,408
At 31 December	2,572,154	2,863,735	4,537,232
Accumulated amortisation:			
At 1 January	(259,466)	(446,212)	(549,238)
Charge for the year	(74,001)	(102,541)	(117,731)
Addition due to the change from a joint venture to a subsidiary	(108,213)	—	—
Exchange adjustments	(4,533)	(486)	(14,312)
At 31 December	(446,213)	(549,239)	(681,281)
Net book value:	2,125,941	2,314,496	3,855,951

The Target Group has been granted by the relevant local government authorities in the PRC the rights to operate the respective toll roads for a period of 20 to 30 years. According to the relevant governments' approval documents and the relevant regulations, the Target Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating years. The toll fees collected and collectible during the operating years are attributable to the Target Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights years expire without any considerations payable to the Target Group. According to the relevant regulations, these operating rights are not renewable and the Target Group does not have any termination options.

In 2010, additions to the service concession arrangements were due to the construction of Qingping Expressway of HK$937,940,000, Eastern Expressway of HK$32,087,000 and the expansion project of Shuiguan Expressway of HK$511,020,000.

As at 31 December 2008, 2009 and 2010, management believed that no impairment on the intangibles assets was necessary as there were no indications that the intangible assets may be impaired.

The amortisation charged for the Relevant Period is included in "cost of services" in the combined income statements.

14 INTERESTS IN ASSOCIATES

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	51,833	54,783	—

Particulars of the associates are as follows:

Name of company	Place and date of establishment	Registered capital	Target Group's effective interests	Principal activities
		RMB'000		
Shenzhen Vanke Huayu Garden Estate Development Co., Ltd. (Disposed of on 9 December 2010)	Shenzhen, the PRC 2007	95,909	40%	Property development
Wuchuan Huayu Industry Zone Development Co., Ltd. (Disposed of on 25 September 2008)	Wuchuan, Guangdong the PRC December 2006	80,000	40%	Property development
Guangxi Bama Huayu Investment Co., Ltd. (Disposed of on 15 October 2010)	Bama, Guangxi, the PRC 10 July 2009	10,000	30%	Property development
Shenzhen Haorancheng Industry Co., Ltd. (Disposed of 26.4% on 10 December 2010)	Shenzhen, the PRC 1997	50,000	31.84%	Property development

Summary financial information on associates

	Assets	Liabilities	Equity	Revenue	Loss
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008					
100 percent	382,772	247,860	134,912	—	(11)
Group's effective interest	150,381	98,548	51,833	—	(4)
31 December 2009					
100 percent	580,582	435,624	144,958	—	(1,523)
Group's effective interest	219,367	164,584	54,783	—	(537)

15 INTEREST IN JOINTLY CONTROLLED ENTITY

Details of the group's interest in the jointly controlled entity are as follows:

Name of company	Place and date of establishment	Registered capital	Target Group's effective interest	Principal activities
Qinglong Expressway	Shenzhen, the PRC 13 January 1995	RMB100,000,000	60%	Construction, operation and management of an expressway in the PRC

On 23 May 2008, Qinglong Expressway amended its Articles of Association and became a subsidiary of the Target Group. The Target Group's share of revenue, expenses and net profit of Qinglong Expressway from 1 January 2008 to 23 May 2008 was HK$97,193,000, HK$37,902,000 and HK$59,291,000, respectively.

16 OTHER FINANCIAL ASSETS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Hunan Daoyue	—	31,832	68,433
Haorancheng	—	—	1,478
	—	31,832	69,911

In March 2009, the Target Group transferred 90% of its interest in Hunan Daoyue to Good Sign Limited, a subsidiary of Huayu Expressway Group Limited. The remaining 10% equity interest in Hunan Daoyue was recorded as an available-for-sale financial asset.

In December 2010, the Target Group transferred 26.4% of its interest in Haorancheng to its related parties, Huayu investment holding Co., Ltd. The remaining 5% equity interest in Haorancheng has no quoted market price in an active market.

17 INVENTORIES

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Toll tickets	1,129	879	1,480

18 PREPAYMENTS

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Due from related parties	—	—	400,836
Due from other contractors	29,059	6,328	278,108
	29,059	6,328	678,944

The Target Group made prepayments to contractors for the construction of expressways.

19 TRADE AND OTHER RECEIVABLES

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Trade debtors *(note 19(a))*:			
Due from Shenzhen Longgang Transport Bureau	6,672	82,926	132,066
Due from other customers	48,654	10,563	12,345
	55,326	93,489	144,411
Other receivables:			
Due from related parties	481,762	1,438,209	67,571
Due from third parties	141,855	131,204	138,349
Deposits and prepayments	52,272	47,861	98,686
	731,215	1,710,763	449,017

All of the trade debtors, deposits and prepayments are expected to be recovered or recognised as expense within one year.

Amount due from related parties expected to be recovered or recognised as expenses after more than one year was HK$466,901,000, HK$202,724,000 and HK$42,281,000 at 31 December 2008, 2009 and 2010, respectively.

Included in other receivables— due from third parties, HK$45,374,000, HK$45,444,000 and HK$70,770,000 at 31 December 2008, 2009 and 2010, respectively, was the amount of retentions in respect of the Target Group's construction management services. Such retention receivables were expected to be recovered after more than one year. The remaining balances of other receivables— due from third parties were expected to be recovered within one year.

No impairment of trade receivables was recognised during the Relevant Period.

(a) Aging analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the statement of financial position date:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 year	54,752	92,982	144,411
More than 1 year but less than 2 years	551	99	—
More than 2 years but less than 3 years	23	385	—
More than 3 years	—	23	—
	55,326	93,489	144,411

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	468,202	1,058,553	524,187

(b) Reconciliation of profit before taxation to cash generated from operations:

		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation		178,043	233,706	334,407
Adjustments for:				
— Amortisation of intangible assets		74,001	102,541	117,731
— Depreciation		3,890	3,297	4,289
— Interest income		(1,916)	(1,735)	(9,392)
— Interest expenses		143,503	139,198	126,446
— Profit from construction work and project management services under service concession arrangements		—	(5,676)	(25,018)
Gain on sale of a subsidiary		(9,973)	—	—
Share of losses of associates		4	537	—
Loss on disposal of property plant and equipment		—	—	(262)
Changes in working capital:				
Decrease/(increase) in trade and other receivables		44,869	(67,648)	(147,236)
Increase/(decrease) in trade and other payables		39,643	(17,709)	81,408
Decrease/(increase) in inventories		394	250	(601)
Cash generated from operations		472,458	386,761	481,772

21 TRADE AND OTHER PAYABLES

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	25,472	97,967	196,526
Payables to related parties	6,099	5,960	13,446
Other payables and accrued charges	215,250	197,560	634,344
Payable to the controlling shareholder	380,664	361,211	563,631
Advances from customers	45,458	48,691	32,835
Salaries payable	4,931	6,441	7,786
	677,874	717,830	1,448,568

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the Relevant Period:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Due within 1 month or on demand	8,204	3,579	8,098
Due after 1 month but within 3 months	17,268	94,388	188,428
	25,472	97,967	196,526

22 BANK LOANS

The bank loans were repayable as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year or on demand			
— Short-term bank loans	204,183	2,465,337	1,197,193
— Current portion of long-term borrowing	56,718	56,805	58,975
	260,901	2,522,142	1,256,168
After 1 year but within 2 years	850,763	56,805	167,489
After 2 years but within 5 years	402,694	540,784	891,702
After 5 years	626,161	671,435	1,041,499
	1,879,618	1,269,024	2,100,690
	2,140,519	3,791,166	3,356,858

22 BANK LOANS *(Continued)*

At 31 December 2008, 2009 and 2010, the bank loans were secured as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Secured	2,095,145	3,427,614	2,684,543
Unsecured	45,374	363,552	672,315
	2,140,519	3,791,166	3,356,858

At 31 December 2008, 2009 and 2010, HK$952,855,000, HK$2,101,785,000, and HK$ 1,061,551,000 of bank loans were secured by equity rights of certain subsidiaries, respectively. In addition, HK$1,142,290,450, HK$1,325,828,700 and HK$1,622,992,000 of bank loans were secured by toll collection rights under the service concession arrangements, respectively.

As 31 December 2008, 2009 and 2010, bank loans guaranteed by the controlling shareholder were HK$794,080,000, HK$477,162,000 and HK$1,692,583,000, respectively.

All of the Target Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Target Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants, the drawn down facilities would become payable on demand. The Target Group regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in note 25(b). As at 31 December 2008, 2009 and 2010, none of the covenants relating to drawn down facilities was breached.

23 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries now comprising the Target Group participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Guangdong Province whereby the Target Group is required to make contributions to the Scheme at the rate of 10% of the eligible employees' salaries to the Scheme. Sumgreat remits all pension fund contributions to respective social security offices, which are responsible for the payment and entire pension obligations payable to retired employees.

The Target Group has no other material obligation for the payment of pension benefits associated with the Scheme beyond the annual contributions described above.

24 INCOME TAX IN THE COMBINED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	12,694	29,175	42,390
Provision for PRC income tax	24,424	65,842	91,317
Addition due to the change from a joint venture to a subsidiary	2,176	—	—
PRC income tax paid	(10,119)	(52,627)	(64,644)
At 31 December	29,175	42,390	69,063

24 INCOME TAX IN THE COMBINED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the Relevant Period are as follows:

	Deferred expenses *HK$'000*	**Intangible assets** *HK$'000*	**Unused tax losses** *HK$'000*	**Total** *HK$'000*
Deferred tax assets/ (liabilities) arising from:				
At 1 January 2008	172	(81,046)	473	(80,401)
Credited to profit or loss	(60)	1,192	831	1,963
Recognised in other comprehensive income	9	—	36	45
At 31 December 2008	121	(79,854)	1,340	(78,393)
At 1 January 2009	121	(79,854)	1,340	(78,393)
Disposal of a subsidiary	—	—	(1,340)	(1,340)
Credited to profit or loss	(38)	2,690	—	2,652
Recognised in other comprehensive income	(2)	—	—	(2)
At 31 December 2009	81	(77,164)	—	(77,083)
At 1 January 2010	81	(77,164)	—	(77,083)
Charged to profit or loss	(81)	(431)	—	(512)
Recognised in other comprehensive income	—	(170)	—	(170)
At 31 December 2010	—	(77,765)	—	(77,765)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(s), the Target Group has not recognised deferred tax assets in respect of unused tax losses of HK$37,831,000, HK$92,274,000 and HK$142,382,000 as at 31 December 2008, 2009 and 2010 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 31 December 2010, tax losses of HK$39,335,000, HK$56,465,000, HK$46,582,000 of the PRC subsidiaries will expire in the year ending 31 December 2013, 2014 and 2015, respectively.

(d) Deferred tax liabilities not recognised:

As at 31 December 2008, 2009 and 2010, the Target Group's certain PRC subsidiaries had undistributed profits of HK$39,904,000, HK$70,062,000, HK$125,174,000, respectively. No deferred tax liabilities were provided in respect of PRC dividend withholding tax as the Target Group controls the dividend policy of these subsidiaries and has been determined that these retained profits would not be distributed in the foreseeable future.

25 CAPITAL AND RESERVE

The reconciliation between the opening and closing balances of each component of the Target Group's combined equity is set out in the combined statement of changes in equity.

(a) Share capital

Share capital represented the aggregate amount of the Target Group's share of the nominal value of the paid up capital of the companies comprising the Target Group as at the respective dates.

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Authorised			
Sumgreat			
50,000 ordinary shares of US$1 each as at 31 December 2008, 2009 and 2010	390	390	390
Pagasus			
50,000 ordinary shares of US$1 each as at 31 December 2008, 2009 and 2010	390	390	390
Fameluxe			
10,000 ordinary shares of HK$1 each as at 31 December 2008, 2009 and 2010	10	10	10
Issued and fully paid			
Sumgreat			
1 ordinary shares of US$1 each as at 31 December 2008, 2009 and 2010	—*	—*	—*
Pagasus			
1,000 ordinary shares of US$1 each as at 31 December 2008, 2009 and 2010	78	78	78
Fameluxe			
10,000 ordinary shares of HK$1 each as at 31 December 2008, 2009 and 2010	10	10	10

* *Represents amount less than HK$ 1,000.*

25 CAPITAL AND RESERVE *(Continued)*

(b) Nature and purpose of reserves

(i) Other reserves

Included in other reserves are the following:

— merger reserve resulted from business combination involving entities under common control. As at 31 December 2008 and 2009, balance of HK$81,139,000 represents the difference between the aggregate amount of paid-in capital of the companies now comprising the Target Group and the nominal value of the share capital of Sumgreat, Pagasus and Fameluxe after elimination of investments in subsidiaries.

In December 2010, the Target Group paid HK$259,682,000 to acquire interests in Huayu Investment from companies under common control by the controlling shareholder (See Section A for details). The difference between the payment and HK$81,139,000 as mentioned above was recorded as deemed distribution to the controlling shareholder.

— In 2002, the controlling shareholder waived shareholder loans of HK$10,722,000 to the Target Group.

— Gain on disposal of associates and subsidiaries to related parties.

In February 2009, Huayu Investment transferred 90% of its interests in Hunan Daoyue to Good Sign Limited, a company under common control by the controlling shareholder for a cash consideration of HK$202,545,000. The difference of HK$4,031,000 between the book value of the investment and cash consideration received was recorded as an increase to the other reserves.

In December 2010, Huayu Investment transferred its 70%, 60% and 60% interests in Yanhuang Agriculture Co., Ltd., Huishou Human Resources Co., Ltd., and Yufa Property Management Co., Ltd., respectively, to Shenzhen Huayu International Investment Holding Co., Ltd, a company under common control by the controlling shareholder. The difference of HK$3,382,000 between the book value of these three subsidiaries and the cash consideration received was recorded as an increase to the other reserves.

In December 2010, Huayu Investment transferred its 27.6% interests in Shenzhen Haorancheng industrial Co., Ltd., to Shenzhen Huayu International Investment Holding Co., Ltd. The difference of HK$8,186,000 between the book value of the associate and the cash consideration received was recorded as an increase to the other reserves.

In December 2010, Huayu Investment transferred its 40% shares in Shenzhen Vanke Huayu Garden Estate Development Co., Ltd. to Anrancheng. The difference of HK$182,912,000 between the book value of the associate and the cash consideration received was recorded as an increase to the other reserves.

25 CAPITAL AND RESERVE *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) General reserve fund

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to the equity holders.

General reserve fund can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the registered capital.

(iii) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(c) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to secure access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, The Target Group monitors its capital structure on the basis of a debt-to-equity ratio. For this purpose, debt is defined as total debt (which includes accruals and other payables, amounts due to controlling shareholder of the Target Group and bank loans). Equity comprises all components of equity.

Neither Sumgreat nor any of its subsidiaries is subject to externally imposed capital requirements.

25 CAPITAL AND RESERVE *(Continued)*

(c) Capital management *(Continued)*

The debt-to-equity ratio of Sumgreat at 31 December 2008, 2009 and 2010 is as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities:			
Accruals and other payables	297,210	356,619	884,937
Amount due to controlling shareholder of the Target Group	380,664	361,211	563,631
Short-term bank loans	204,183	2,465,337	1,197,193
Current portion of long-term borrowing	56,718	56,805	58,975
Non-current liabilities:			
Long-term bank loans	1,879,618	1,269,024	2,100,690
Total debt	2,818,393	4,508,996	4,805,426
Total equity	491,814	561,325	646,177
Debt-to-equity ratio	573%	803%	744%

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Group's business. These risks are limited by the Target Group's financial management policies and practices described below:

(a) Credit risk

Credit risk is the risk of financial loss to the Target Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Target Group's prepayments and other receivables and deposits with banks.

(i) Prepayments and other receivables

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each sub-contractor for expressway construction. Individual credit evaluations are performed on all sub-contractors. These evaluations focus on the sub-contractor's past history of construction work performance and current ability to fulfil the contract, and take into account information specific to the sub-contractor as well as pertaining to the economic environment in which the sub-contractor operates. The Target Group does not collect collateral in respect of prepayments and other receivables.

(ii) Deposits with bank

The Target Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Target Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Group can be required to pay:

	2008			
	Carrying amount	**Total contractual undiscounted cash outflow**	**Within 1 year or on demand**	**More than 1 year**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	297,210	297,210	53,410	243,800
Short-term bank loans	260,901	269,396	269,396	—
Long-term bank loans	1,879,618	2,480,245	135,869	2,344,376
	2,437,729	3,046,851	458,675	2,588,176

	2009			
	Carrying amount	**Total contractual undiscounted cash outflow**	**Within 1 year or on demand**	**More than 1 year**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	356,619	356,619	109,317	247,302
Short-term bank loans	2,522,142	2,584,332	2,584,332	—
Long-term bank loans	1,269,024	1,726,139	82,858	1,643,281
	4,147,785	4,667,090	2,776,507	1,890,583

	2010			
	Carrying amount	**Total contractual undiscounted cash outflow**	**Within 1 year or on demand**	**More than 1 year**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	884,937	884,937	436,730	448,207
Short-term bank loans	1,256,168	1,291,923	1,291,923	—
Long-term bank loans	2,100,690	2,680,112	140,987	2,539,125
	4,241,795	4,856,972	1,869,640	2,987,332

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(c) Interest rate risk

(i) Interest rate profile

The Target Group's interest rates risk arises primarily from cash at bank and long-term borrowings issued at variable rates that expose the Target Group to cash flow interest rate risk. The Target Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Target Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Target Group does not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the combined statement of financial position date would not affect profit or loss. The following table details the interest rate profile of the Target Group at the statement of financial position date:

	At as 31 December					
	2008		2009		2010	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*
Cash at bank	0.360	466,914	0.360	1,057,553	0.360	522,953
Long term bank loans	5.346	(1,879,618)	5.346	(1,269,024)	5.760	(2,100,690)
		(1,412,704)		(211,471)		(1,577,737)

(ii) Sensitivity analysis

At 31 December 2008, 2009 and 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Target Group's profit for the year and accumulated profits by approximately HK$11,021,000, HK$2,012,000 and HK$12,275,000 respectively.

The sensitivity above has been determined assuming that the change in interest rates had occurred at the statement of financial position date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual statement of financial position date. The analysis is performed on the same basis for the Relevant Period.

(d) Business risk

The tariffs for toll fees are regulated by the relevant provincial price bureau. The Target Group's future revenue will be subject to tariffs determined by the PRC government. Adjustments of such tariffs will have a significant impact on the Target Group's future revenue and operating results.

(e) Foreign currency risk

Individual companies within the Target Group have limited foreign currency risk as most of the transactions are denominated in the functional currency of the operations in which they relate. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Target Group's financial position and be reflected in the exchange reserve.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(f) Fair values

As stated in note 18 the amounts due from related companies and controlling shareholder of Sumgreat as at 31 December 2008, 2009 and 2010 have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2008, 2009 and 2010.

Revenue from construction work and project management services under the service concession arrangement is measured at the fair value of the consideration received or receivable. The respective fair value is estimated by reference to the costs of providing the service under the concession agreement plus an estimated profit margin.

27 COMMITMENTS

(a) Operating lease commitments

As lessor

The Target Group leases out its billboards under operation leases. The future minimum lease payments under non-cancellable operating leases are as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	1,964	2,187	2,260
After 1 year but within 5 years	7,768	6,917	4,931
More than 5 years	1,322	—	—
	11,054	9,104	7,191

During the Relevant Period, the Target Group recognised HK$3,875,000, HK$5,419,000 and HK$5,970,000 as rental income in the combined income statement respectively (note 4).

(b) Capital commitments

Capital commitments outstanding at 31 December 2008, 2009 and 2010 not provided for in the Financial Information were as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for	442,709	577,886	1,450,946

The capital commitments represent the costs for the construction of the expansion of Shuiguan Expressway, Eastern Expressway and Qingping Expressway.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in note 1(x), the Target Group entered into the following material related party transactions.

During the Relevant Period, the directors are of the view that the following companies are related parties of the Target Group:

Name of party	**Relationship**
Beijing Jinlongteng Restaurant Co., Ltd.	Fellow subsidiary
Xi'an Shunshilai Zhuque Property Co., Ltd	Business associate
Shenzhen Jinlongteng Restaurant Co., Ltd	Fellow subsidiary
Zhonghua Jinlongteng Healthy Co., Ltd	Fellow subsidiary
Huayu Mining Industry Group	Fellow subsidiary
Huayu Trading Co., Ltd.	Fellow subsidiary
Lvhua landscape Garden Cooperation	Fellow subsidiary
Jiangxi Nankang Farming Co., Ltd	Business associate
Guangxi Bama Huayu Investment Co., Ltd	Fellow subsidiary
Guangxi Bama Kundalini Investment Co., Ltd	Fellow subsidiary
Beijing Huayu Anran Medicine Science and Technology Co., Ltd.	Fellow subsidiary
Good Sign Limited	Fellow subsidiary
Hong Kong Changsheng International Co., Ltd.	Business associate
Shenzhen Huayu International Holding Co., Ltd.	Fellow subsidiary
Wuchuan Huayu Industrial Park Development Co., Ltd.	Associate
Shenzhen Vanke Huayu Garden Estate Development Co., Ltd.	Associate
Jinfeng Global Industry (Shenzhen) Co., Ltd.	Business associate
Heibei Jitong Road and Bridge Construction Co., Ltd.	Business associate
Shenzhen Jinhong Technology Co., Ltd.	Business associate
Shenzhen Fanhua Property Development Co., Ltd.	Business associate
China Railway Construction Group, The Third Bureau	Business associate

* *The English translation of the company names is for reference only.*

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Balances with related parties

As at the statement of financial position date, the Group had the following balances with related parties:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Amount due from related companies			
Huayu Trading Co., Ltd.	15,156	43,584	—
Shenzhen Haorancheng Industrial Co., Ltd.	7,202	52,631	—
Shenzhen Haokairan Horticulture Co., Ltd.	5,899	17,433	—
Shenzhen Anrancheng Industrial Development Co., Ltd.	41,108	104,911	—
Wuchuan Huayu Industrial Park Development Co., Ltd.	55,565	203,912	—
Shenzhen Huayu International Holding Co., Ltd.	36,299	36,355	50,400
Guangxi Bama Huayu Investment Co., Ltd.	—	51,359	—
Beijing Jinlongteng Restaurant Co., Ltd.	580	566	588
Xi'an Shunshilai Zhuque Property Co., Ltd.	34,652	48,907	16,159
Shenzhen Jinlongteng Restaurant Co., Ltd.	10,449	10,465	—
Zhonghua Jinlongteng Healthy Co., Ltd.	397	398	—
Huayu Mining Industry Group	26,430	26,471	—
Jinfeng Global Industry (Shenzhen) Co., Ltd.	9,699	9,720	—
Heibei Jitong Road and Bridge Construction Co., Ltd.	6,514	560,078	—
Shenzhen Jinhong Technology Co., Ltd.	5,105	5,112	—
Shenzhen Fanhua Property Development Co., Ltd.	35,732	40,454	—
Huayu Expressway	—	536	424
China Railway Construction Group, The Third Bureau	190,975	225,317	—
	481,762	1,438,209	67,571
Amount due to controlling shareholder — Mr. Chan Yeung Nam	380,664	361,211	563,631
Amount due to a related company			
Jinfeng Global Industry (Shenzhen) Co., Ltd.	—	—	11,087
Beijing Huayu Anran Medicine Science and Technology Co., Ltd.	—	—	2,359
Jiangxi Nankang Farming Co., Ltd.	6,099	5,960	—
	6,099	5,960	13,446

Balances with related parties represented short term advances made to/from related parties of the Target Group.

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to Sumgreat' directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	1,308	1,565	1,504
Bonuses	109	130	125
Contributions to retirement benefit schemes	101	95	86
	1,518	1,790	1,715

Total remuneration is included in "staff costs" (see note 6(a)).

(c) Transactions with related parties

The Target Group had the following transactions with related parties during the Relevant Period.

Short term advances

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Advances to controlling shareholder	140,495	19,453	58,933
Advances to fellow subsidiaries	361,450	506,679	669,175
Advances to associates	56,356	—	—
Advances to business associates	342,096	663,836	1,254,493
	900,397	1,189,968	1,982,601

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Advances from controlling shareholder	—	—	261,353
Advances from fellow subsidiaries	342,539	331,962	1,131,401
Advances from associates	17,249	—	201,632
Advances from business associates	296,089	56,668	1,740,351
	655,877	388,630	3,334,737

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with related parties *(Continued)*

Expenses paid on behalf of/paid by related company

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Fellow subsidiary	—	536	571

The remunerations of the directors of Sumgreat were borne by related companies.

Construction services received

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Business associates	—	70,001	264,987

29 ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party of the Target Group as at 31 December 2010 to be Mr. Chan Yeung Nam.

30 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Target Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment

If circumstances indicate that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, these assets may be considered "impaired" and an impairment loss may be recognised in profit or loss. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, the expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of future toll revenue and the amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of toll revenue and the amount of operating costs, and discount rate.

30 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Amortisation of service concession arrangements

Amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular year over the projected total traffic volume throughout the years for which the Target Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession years could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating years of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

(c) Construction revenue recognition relating to service concession arrangement

In accordance with Hong Kong (IFRIC) Interpretation 12 "Service Concession Arrangements", income and expenses associated with construction work and project management provided under the concession service arrangement are recognised as per Hong Kong Accounting Standards 11 "Construction Contracts" using the percentage of completion method. Revenue generated by construction work and project management services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact that there was no real cash inflow realised/realisable during the construction phase of the infrastructure assets under the service concession arrangement, in order to determine the construction revenue to be recognised during the Relevant Period, the directors of the Target Group made estimates of the respective amounts by making reference to the management service fees derived from the provision of project management services by the Target Group for construction of toll road for the PRC local government without the corresponding grant of the related toll road operating rights and entitlement to future toll revenues.

The directors of the Target Group have drawn an analogy of the construction of toll road under the service concession arrangement as if the Target Group were providing project management services for the construction of toll road. Accordingly, construction revenue under the respective service concession arrangement is recognised at the total expected construction costs of the toll road plus management fees, computed at an estimated percentage of the costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant independent party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans. In ascertaining the amount of management fee, the directors have made reference to the practice for determining management fees for management construction contracts transacted by the Target Group, whereby the fee is determined as an estimated percentage on the total budgeted costs of the project. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the statement of financial position date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

C STATEMENTS OF FINANCIAL POSITION OF SUMGREAT

The statements of financial position of Sumgreat as at 31 December 2009 and 2010 were as follows:

		At 31 December	
		2009	**2010**
	Note	*HK$'000*	*HK$'000*
Non-current assets			
Investments in subsidiaries	*(a)*	49,020	313,849
Total non-current assets		49,020	313,849
Current assets			
Cash and cash equivalents	*Section B Note 20*	295	280
Total current assets		295	280
Current liabilities			
Trade and other payables	*(b)*	(49,326)	(314,142)
Total current liabilities		(49,326)	(314,142)
Net current liabilities		(49,031)	(313,862)
Total assets less current liabilities		(11)	(13)
NET ASSETS		(11)	(13)
Capital and reserves	*(c)*		
Share capital		—	—
Reserves		(11)	(13)
TOTAL EQUITY		(11)	(13)

Notes:

(a) Investments in subsidiaries

Details of Sumgreat's subsidiaries are set out in the Introduction section of this report. The investments in subsidiaries are stated at cost less impairment losses.

(b) Trade and other payables

The balance of trade and other payables represented the amount payable to the shareholder of Sumgreat.

(c) Capital and reserves

	Share capital	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2008 and 1 January 2009	—	(11)	(11)
Loss for the year	—	—	—
At 31 December 2009 and 1 January 2010	—	(11)	(11)
Loss for the year	—	(2)	(2)
At 31 December 2010	—	(13)	(13)

Details of Sumgreat's share capital is disclosed in Note 25(a) of Section B.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Sumgreat and its subsidiaries in respect of any period subsequent to 31 December 2010.

Yours faithfully

KPMG
Certified Public Accountants

Hong Kong

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 June 2011

The Directors
Huayu Expressway Group Limited

Dear Sirs,

Huayu Expressway Group Limited (the "Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages 133 to 139 in Appendix III of the circular dated 24 June 2011 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the acquisition of entire issued share capital of Sumgreat Investments Limited ("Sumgreat") might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on page 133 of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2010 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2010 or any future periods.

OPINION

In our opinion:

a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Enlarged Group as at 31 December 2010, being the latest financial reporting date of the Company, to show the effect of the Acquisition.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

(1) Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of the Enlarged Group as if the very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital of Sumgreat Investments Limited ("Sumgreat") (the "Acquisition") had been completed on 31 December 2010 for the pro forma consolidated statements of financial position and at the commencement of the year ended 31 December 2010 for the pro forma consolidated income statement and pro forma consolidated cash flow statement. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition. Details of the Acquisition are set out in the section headed "The Acquisition" in the Letter from the Board contained in this circular.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Rule 4.29(1) and Rule 14.69(4)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It has been prepared by the Directors of the Company for illustrative purposes only.

The unaudited pro forma consolidated financial information of the Enlarged Group is based upon the audited consolidated financial statements of the Group as at 31 December 2010, which has been extracted from the Company's annual report for the year then ended as referred to in Appendix I to this circular and the audited combined financial information of Sumgreat and its subsidiaries (the "Target Group") as extracted from the accountants' report thereon set out in Appendix II to this circular, and adjusted to reflect the effect of the Acquisition. These unaudited pro forma financial information adjustments of the Acquisition are (i) directly attributable to the Acquisition and not relating to other future events and decision and (ii) factually supportable based on the terms of the Share Purchase Agreement.

The unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the unaudited pro forma financial information of the Enlarged Group does not purport to describe the true picture of the financial position or results of the Enlarged Group that would have been attained had the Acquisition been completed as at the specified dates. Further, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the future financial position or results of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Company for the year ended 31 December 2010 and other financial information included elsewhere in this circular.

(2) Unaudited pro forma consolidated statement of financial position as at 31 December 2010

	The Group	The Target Group	Pro Forma Combined	Pro Forma Adjustments				The Enlarged Group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				Note 1	*Note 2(i)*	*Note 2(ii)*	*Note 2(iii)*	
Non-current assets								
Property, plant and equipment	1,845	18,941	20,786					20,786
Intangible assets	1,007,258	3,855,951	4,863,209					4,863,209
Prepayment	—	678,944	678,944					678,944
Investment in a subsidiary	—	—	—		1,000,000	(1,000,000)		—
Other financial assets	—	69,911	69,911				(68,433)	1,478
Deferred tax assets	1,967	—	1,967					1,967
	1,011,070	4,623,747	5,634,817					5,566,384
Current assets								
Inventories	—	1,480	1,480					1,480
Trade and other receivables	85,301	449,017	534,318			(424)		533,894
Cash and cash equivalents	157,226	524,187	681,413	1,000,000				1,681,413
	242,527	974,684	1,217,211					2,216,787
Current liabilities								
Trade and other payables	(109,167)	(1,448,568)	(1,557,735)			424		(1,557,311)
Bank loans	—	(1,256,168)	(1,256,168)					(1,256,168)
Current taxation	—	(69,063)	(69,063)					(69,063)
	(109,167)	(2,773,799)	(2,882,966)					(2,882,542)
Net current assets/(liabilities)	133,360	(1,799,115)	(1,665,755)					(665,755)
Total assets less current liabilities	1,144,430	2,824,632	3,969,062					4,900,629

	The Group	The Target Group	Pro Forma Combined		Pro Forma Adjustments			The Enlarged Group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				Note 1	*Note 2(i)*	*Note 2(ii)*	*Note 2(iii)*	
Non-current liabilities								
Bank loans	(448,210)	(2,100,690)	(2, 548,900)					(2,548,900)
Deferred tax liabilities	—	(77,765)	(77,765)					(77,765)
	(448,210)	(2,178,455)	(2,626,665)					(2,626,665)
NET ASSETS	696,220	646,177	1,342,397					2,273,964
CAPITAL AND RESERVES								
Share capital	(4,126)	(88)	(4,214)	(7,800)	(7,800)	88		(19,726)
Reserves	(624,222)	(471,745)	(1,095,967)	(992,200)	(992,200)	999,912	561	(2,079,894)
Total equity attributable to equity shareholders	(628,348)	(471,833)	(1,100,181)					(2,099,620)
Non-controlling interests	(67,872)	(174,344)	(242,216)				67,872	(174,344)
TOTAL EQUITY	(696,220)	(646,177)	(1,342,397)					(2,273,964)

(3) Unaudited pro forma consolidated income statement for the year ended 31 December 2010

	The Group	The Target Group	Pro Forma Combined	Pro Forma Adjustments	The Enlarged Group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				Note 2(iii)	
Turnover	537,631	2,098,754	2,636,385		2,636,385
Cost of sales	(525,803)	(1,614,351)	(2,140,154)		(2,140,154)
Gross profit	11,828	484,403	496,231		496,231
Other revenue	1,944	17,137	19,081		19,081
Other loss	(955)	(4,691)	(5,646)		(5,646)
Administrative expenses	(24,158)	(35,996)	(60,154)		(60,154)
(Loss)/profit from operations	(11,341)	460,853	449,512		449,512
Finance costs	—	(126,446)	(126,446)		(126,446)
Subsidy income	20	—	20		20
(Loss)/profit before taxation	(11,321)	334,407	323,086		323,086
Income tax	(314)	(91,830)	(92,144)		(92,144)
(Loss)/profit for the year	(11,635)	242,577	230,942		230,942
Attributable to:					
Equity shareholders	(12,069)	120,302	108,233	434	108,667
Non-controlling interests	434	122,275	122,709	(434)	122,275
(Loss)/profit for the year	(11,635)	242,577	230,942		230,942

(4) Unaudited pro forma consolidated cash flow statement for the year ended 31 December 2010

	The Group	The Target Group	Pro Forma Combined	Pro Forma Adjustments		The Enlarged group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				Note 1	*Note 2(iii)*	
Operating activities						
(Loss)/profit before taxation	(11,321)	334,407	323,086			323,086
Adjustments for:						
Profit from construction work and project management services under service concession arrangements	(11,828)	(25,018)	(36,846)			(36,846)
Depreciation	429	4,289	4,718			4,718
Amortisation of intangible assets	—	117,731	117,731			117,731
Interest expense	—	126,446	126,446			126,446
Loss on disposal of property, plant and equipment	—	(262)	(262)			(262)
Interest income	(1,926)	(9,392)	(11,318)			(11,318)
Operating (loss)/profit before changes in working capital	(24,646)	548,201	523,555			523,555
Changes in working capital:						
Decrease in inventories	—	(601)	(601)			(601)
Increase in prepayments and other receivables	(12)	(147,236)	(147,248)			(147,248)
(Decrease)/Increase in accruals and other payables	(707)	81,408	80,701			80,701
Decrease in amount due to a related party	(112)	—	(112)			(112)
Cash (used in)/generated from operations	(25,477)	481,772	456,295			456,295
PRC tax paid	—	(64,644)	(64,644)			(64,644)
Net cash (used in)/generated from operating activities	(25,477)	417,128	391,651			391,651

	The Group	The Target Group	Pro Forma Combined	Pro Forma Adjustments		The Enlarged group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				Note 1	*Note 2(iii)*	
Investing activities						
Payment for purchase of property, plant and equipment	(492)	(11,118)	(11,610)			(11,610)
Payment for intangible assets	(505,954)	(2,027,637)	(2,533,591)			(2,533,591)
Proceeds from disposal of property, plant and equipment	—	137	137			137
Interest received	1,926	9,392	11,318			11,318
Investment in other financial assets	—	(35,385)	(35,385)		35,385	—
Disposal of subsidiaries	—	2,940	2,940			2,940
Acquisition of Non-controlling interests	—	(5,159)	(5,159)			(5,159)
Net cash used in investing activities	(504,520)	2,066,830	(2,571,350)			(2,535,965)
Financing activities						
Increase in amounts due to related parties	—	1,375,959	1,375,959			1,375,959
Capital contribution from non-controlling interests	35,035	—	35,035		(35,035)	—
Proceed from issue of share capital, net of issuing expenses	15,631	—	15,631	1,000,000		1,015,631
Proceeds from long term bank loans	91,672	1,275,239	1,366,911			1,366,911
Loan from shareholder	—	202,420	202,420			202,420
Proceeds from Non controlling shareholder	—	317,992	317,992			317,992
Disposal of associates to shareholder	—	245,881	245,881			245,881
Dividends paid	—	(127,951)	(127,951)			(127,951)
Repayment of bank loans	—	(1,839,839)	(1,839,839)			(1,839,839)
Payment for acquisition of interest in Huayu Investment	—	(259,682)	(259,682)			(259,682)
Interest paid	—	(126,446)	(126,446)			(126,446)
Net cash generated from financing activities	142,338	1,063,573	1,205,911			2,170,876
Net (decrease)/increase in cash and cash equivalents	(387,659)	(586,129)	(973,788)			26,562
Cash and cash equivalents at 1 January	544,249	1,058,553	1,602,802			1,602,802
Effect of foreign exchange rate changes	636	51,763	52,399		(350)	52,049
Cash and cash equivalents at 31 December	157,226	524,187	681,413			1,681,413

(5) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The adjustment represents the condition precedent to the completion of the Acquisition that the Company shall complete a placing of 780,000,000 shares of its ordinary shares of par value HKD0.01 and raise not less than HKD1,000,000,000, assuming the impact of issuing cost is not significant.

2. The adjustments represent:

   (i) the issue of approximately 780,000,000 consideration shares of par value HKD0.01 at an issue price of HKD1.28 to Mr. Chan Yeung Nam to acquire the entire issued share capital of Sumgreat;

   (ii) elimination of share capital and reserves of Sumgreat in accordance with Accounting Guideline 5, *Merger Accounting for Common Control Combinations* issued by Hong Kong Institute of Certified Public Accountants.

   The difference of HKD498,254,000 between the total equity attributable to the shareholders of Sumgreat and the fair value of the consideration shares are recorded as a decrease to the reserves of the Company.

   In addition, the balance between the Group and the Target Group of HKD424,000 is eliminated;

   (iii) elimination of the 10% non-controlling interests in Hunan Daoyue Expressway Industry Co., Ltd. held by the Target Group.

(A) BUSINESS VALUATION REPORT

The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Sallmanns Limited, an independent business valuer, in connection with the business valuation as at December 31, 2010 of the fair values of equity interests in Shenzhen Qinglong Expressway Company Limited, Shenzhen Huayu Expressway Investment Company Limited, Shenzhen Huayu Qingping Expressway Company Limited, and Shenzhen Huayu Eastern Expressway Company Limited.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

Dear Sirs,

In accordance with the instructions from Huayu Expressway Group Limited (the "Company"), we have undertaken a valuation exercise to express an independent opinion of the fair values of equity interests in Shenzhen Qinglong Expressway Company Limited ("Shenzhen Qinglong"), Shenzhen Huayu Expressway Investment Company Limited ("Huayu Expressway Investment"), Shenzhen Huayu Qingping Expressway Company Limited ("Huayu Qingping"), and Shenzhen Huayu Eastern Expressway Company Limited ("Huayu Eastern"), as at 31 December 2010 (the "Valuation Date"). This letter summarizes the principal conclusions stated in our valuation report dated 24 June 2011.

The purpose of this valuation is to express an independent opinion of the fair values of equity interests as at 31 December 2010 for acquisition reference, which does not include the fair values of the loan portion of the total investment of Shenzhen Qinglong, Huayu Expressway Investment, Huayu Qingping and Huayu Eastern (collectively as the "Subject Companies").

Our valuation was carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

INTRODUCTION

Shenzhen Qinglong

Shenzhen Qinglong was established on 13 January 1995 to undertake the construction, operation and management of Shuiguan Expressway. The equity interest of Shenzhen Qinglong is owned as to 30% by Shenzhen Huayu Investment & Development Group Company Limited ("Huayu Investment") and 30% by Fameluxe Investment Limited, both of which are wholly-owned subsidiaries of Sumgreat Investments Limited ("Sumgreat"). Shuiguan Expressway is a dual three-lane expressway with a total length of approximately 20.14 km running from Xinbulong Road (新布龍路) in Buji Town (布吉鎮) to Zhongxin Cheng (中心城) in Longgang District (龍崗區). It has been opened to traffic since December 2001 and has a remaining concession period of 15 years.

Shenzhen Qinglong is also in charge of the expansion construction of Shuiguan Expressway, the progress of which is going well and it is planned to be completed in mid-2011. The possible impacts from expansion on its operating performance were significantly reduced due to the implementation of rationalised construction organisation plans, together with the rapid growth in regional traffic demand and the ongoing reconstruction of neighbouring municipal road (Shenhui Road). The expansion has adopted the construction organisation arrangement to minimise the adverse effects on the traffic capacity arising from the construction works, which is to expand new lanes first and reconstruct the old lanes after the new lanes come to use. At present, the road understructure and bridge culverts of the new lanes have been completed, and the road surface construction works has commenced.

Huayu Expressway Investment

Huayu Expressway Investment, a limited liability company established in the PRC, is undertaking the construction, operation and management of Shuiguan Expressway Extension Line. The equity interest in Huayu Expressway Investment is owned as to 60% by Huayu Investment and 40% by Shenzhen Expressway. The investment cost of Shuiguan Expressway Extension Line is approximately RMB600 million. Shuiguan Expressway Extension Line is an extension line linking the Bulong Interchange (布龍立交) on the Shuiguan Expressway to the Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站), and links with the Qingshuihe and Sungang warehouse areas, two large-scale warehouse areas in Shenzhen. It is a dual three-lane expressway with a total length of approximately 5.25 km. It was opened to traffic since July 2005 and has a remaining concession period of 15 years.

Huayu Qingping

Huayu Qingping, a limited liability company established in the PRC, is undertaking the construction, operation and management of Shenzhen Qingping Expressway. The equity interest in Huayu Qinping is held as to 100% by Huayu Investment. Shenzhen Qingping Expressway is an expressway under construction linking the end of the Shuiguan Expressway Extension Line at Bulong/Longjing interchange (布龍／龍井立交) in Shenzhen to Dongguan Gaoerfu Road in Dongguan. The investment cost of Shenzhen Qingping Expressway is expected to be approximately RMB1.74 billion. It is expected that Shenzhen Qingping Expressway will be a dual three-lane expressway with a total length of approximately 12.7 km. The concession period is expected to be 25 years. The expressway is expected to be opened to traffic in January 2013.

Huayu Eastern

Huayu Eastern is undertaking the construction, operation and management of Shenzhen Eastern Expressway. The equity interest of Huayu Eastern is held as to 70% by Huayu Investment. The investment cost of Shenzhen Eastern Expressway is expected to be approximately RMB5.8 billion. Shenzhen Eastern Expressway is an expressway under construction linking Liantang Port (蓮塘口岸) to the intersection of Shenhui and Shenshan Expressway (深惠與深汕高速公路交滙處) in Shenzhen. It is expected that Shenzhen Eastern Expressway will be a dual three-lane expressway with a total length of approximately 32.8 km. The concession period under the relevant concession agreement is 28 years (including construction period). The Expressway is expected to be opened to traffic in 2014.

The details of the four Expressways are as follows:

Expressway	Location	Length	Lanes	Operation Period
Shuiguan Expressway	Linking Xinbulong Road (新布龍路) in Buji Town (布吉鎮) to Zhongxin Cheng (中心城) in Longgang District (龍崗區)	20.14km	Dual-5	2001-2026
Shuiguan Expressway Extension Line	Linking the Bulong Interchange (布龍立交) on the Shuiguan Expressway to the Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站)	5.25km	Dual-3	2005-2026
Shenzhen Qingping Expressway	Linking the end of the Shuiguan Expressway Extension Line at Bulong/Longjing Interchange (布龍／龍井立交) in Shenzhen to Dongguan Gaoerfu Road (東莞高爾夫大路) in Dongguan	12.7km	Dual-3	2013-2038
Shenzhen Eastern Expressway	Linking Liantang Port (蓮塘口岸) to the intersection of Shenhui and Shenshan Expressway (深惠與深汕高速公路交匯處) in Shenzhen	32.8km	Dual-3	2014-2038

BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

VALUATION METHODOLOGY

Given the unique characteristics of the asset under valuation including the fact that three of the four underlying expressways are still under expansion or construction, there are substantial limitations for the market approach and the cost approach for valuing the underlying asset. The market approach requires market transactions of comparable assets as an indication of value. Market transactions on expressway assets tend to have very different transaction prices considering a number of factors including geographical areas, toll rates and traffic, and operational stages and status of the expressway assets. We have not identified any current market transactions which are comparable. The cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset.

In view of the above, we have adopted the income approach for the valuation. The income approach allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows. In this study, the fair values of Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway are estimated based on the present worth of future economic benefits to be derived from the projected income, assuming no major change in the local Government policies and regulations. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' interest and the repayment of shareholder's loans to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the potential risks inherent in toll road operation.

SCOPE OF INVESTIGATION

Our investigation included a site inspection of Shuiguan Expressway, Shuiguan Expressway Extension Line and Shenzhen Qingping Expressway. Discussions with the management of the Subject Companies and the Company in relation to the history and nature of business, and review of the historical and projected financial information and other relevant documents of the Subject Companies were also conducted. We have also discussed with Parsons Brinckerhoff (Asia) Limited ("PBA"), the Company's traffic consultant, on the bases and assumptions underlying the traffic projections.

The findings of PBA cover two future forecast scenarios: the "Optimistic" and "Conservative" scenarios. The "Optimistic" scenario assumes a high expectation of economic growth over the entire evaluation period. This scenario considers an optimistic outlook towards the future and assumes a quicker development pace. The "Conservative" scenario assumes a lower development growth potential and a much slower pace of growth than the Optimistic scenario. PBA prepared projections of the traffic volume, the toll charges and hence the toll revenues under both scenarios with respect to the subject toll roads covering the respective concession period. The base approach, which is derived by taking the averages of the "Optimistic" and "Conservative" scenarios prepared by PBA, has been adopted as the toll revenues stream for the subject toll roads.

We believe the traffic projections provided by PBA to be reliable and legitimate. We have relied to a considerable extent on such information in arriving at our opinion of value.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Committee ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of Shenzhen Qinglong, Huayu Expressway Investment, Huayu Qingping and Huayu Eastern, and an assessment of key assumptions, estimates, and representations made by the proprietors or the operators of the toll roads. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The assumption that the expansion/construction of Shuiguan Expressway, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway will be completed as planned;
- The nature of business and history of the operation concerned;

- The financial condition of Shenzhen Qinglong, Huayu Expressway Investment, Huayu Qingping and Huayu Eastern;
- Projected operating costs and management expenses;
- Projected traffic flow, passenger volume and toll rates;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management standard and synergy of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject Companies.

VALUATION ASSUMPTIONS

In determining the appropriate fair values of the Subject Companies, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

- We have assumed that the projected business can be achieved with the effort of the management of the Subject Companies and the Company;

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject Companies;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- Natural weather can have an impact on toll roads, including flooding and other types of inclement weather. We have assumed that no extended closure will occur;

- We have assumed the accuracy of the financial and operational information provided to us by the Subject Companies and the Company and relied to a considerable extent on such information in arriving at our opinion of value;

- We have assumed the capital structures of the Subject Companies will not change;

- Based on historical data, projected toll road usage, and the management's opinion, the operating, maintenance and management expenses for Shenzhen Qinglong and Huayu Expressway Investment will be RMB106,897,000 (in 2011) and RMB48,210,000 (in 2011) for the first year respectively. A general growth rate of 3% is assumed for the remaining years, which is determined with reference to the historical long term inflation rate in China (Source: Bloomberg);

- Based on the feasibility reports and the management's opinion, the operating, maintenance and management expenses for Huayu Qingping and Huayu Eastern will be RMB46,172,000 (in 2013, first full year operation) and RMB180,262,000 (in 2014, first full year operation) for the first year respectively. A general growth rate of 3% is assumed for the remaining years which is determined with reference to the historical long term inflation rate in China (Source: Bloomberg);

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date;

- The traffic volume and toll revenue for Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway will conform to the level as projected by PBA in the average of conservative and optimistic scenarios. Their projection is mainly based on the expected annual GDP growth rate, vehicle types, existing road network and future transportation plan. We believe that the traffic growth rate and the toll charge growth rate projected by PBA are reasonable and, therefore, we have adopted their findings in developing the Optimistic and Conservative scenarios for Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway;

- The expansion/construction of Shuiguan Expressway, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway under construction would be completed on schedule to the satisfaction of the design engineer, Shenzhen Qinglong, Huayu Qingping, Huayu Eastern, and the Company, and that all relevant standards and requirements of the government authorities will be met.

In determining the appropriate discount rates for the operation, we have taken into account a number of factors including the current market condition and the underlying risks inherent in the business, such as uncertainty risk, etc. The Capital Assets Pricing Model (the "CAPM") has been used in the evaluation of the discount rates.

Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rates of return of the Subject Companies are expected to be affected by factors that are independent of the general market. This variability of the expected rate of return is referred to as the specific risk.

The following table summarizes the parameters used for the evaluation of the discount rates:

PARAMETERS FOR CAPM

Parameters		**Shenzhen Qinglong Expressway Company Limited**
Risk free rate	*3.32%*	Yield of 10-year exchange fund notes
Market return	8.34%	10-year Hang Seng Index Returns
Relevered Beta	0.810	Based on the beta, capital structures and effective tax rates of the Subject Companies and comparable companies
Size premium	4.07%	Source: Morningstar, Inc, "SBBI Valuation Yearbook 2011"
Illiquidity premium	1%	Comparing to listed companies, investing in the Subject Companies, which are private companies, are riskier as private companies are less liquid. As such, a risk premium for lack of marketability of 1% is included
Country risk premium	0.7%	Risk spread of default free government bond rates of China over Hong Kong
Discount rate	**13.1%**	

Parameters		**Shenzhen Huayu Expressway Investment Company Limited**
Risk free rate	3.32%	Yield of 10-year exchange fund notes
Market return	8.34%	10-year Hang Seng Index Returns
Relevered Beta	0.810	Based on the beta, capital structures and effective tax rates of the Subject Companies and comparable companies
Size premium	4.07%	Source: Morningstar, Inc, "SBBI Valuation Yearbook 2011"
Illiquidity premium	1%	Comparing to listed companies, investing in the Subject Companies, which are private companies, are riskier as private companies are less liquid. As such, a risk premium for lack of marketability of 1% is included
Country risk premium	0.7%	Risk spread of default free government bond rates of China over Hong Kong
Discount rate	**13.1%**	

Parameters		**Shenzhen Huayu Qingping Expressway Company Limited**
Risk free rate	3.32%	Yield of 10-year exchange fund notes
Market return	8.34%	10-year Hang Seng Index Returns
Relevered Beta	0.810	Based on the beta, capital structures and effective tax rates of the Subject Companies and comparable companies
Company specific risk	1%	Risk for construction status. As the toll road is under construction, the risk in this company is higher than the comparable companies; therefore, a 1% additional risk premium is included
Size premium	4.07%	Source: Morningstar, Inc, "SBBI Valuation Yearbook 2011"
Illiquidity premium	1%	Comparing to listed companies, investing in the Subject Companies, which are private companies, are riskier as private companies are less liquid. As such, a risk premium for lack of marketability of 1% is included
Country risk premium	0.7%	Risk spread of default free government bond rates of China over Hong Kong
Discount rate	**14.1%**	

Parameters		**Shenzhen Huayu Eastern Expressway Company Limited**
Risk free rate	3.32%	Yield of 10-year exchange fund notes
Market return	8.34%	10-year Hang Seng Index Returns
Relevered Beta	0.810	Based on the beta, capital structures and effective tax rates of the Subject Companies and comparable companies
Company specific risk	1%	Risk for construction status. As the toll road is under construction, the risk in this company is higher than the comparable companies; therefore, a 1% additional risk premium is included
Size premium	4.07%	Source: Morningstar, Inc, "SBBI Valuation Yearbook 2011"
Illiquidity premium	1%	Comparing to listed companies, investing in the Subject Companies, which are private companies, are riskier as private companies are less liquid. As such, a risk premium for lack of marketability of 1% is included
Country risk premium	0.7%	Risk spread of default free government bond rates of China over Hong Kong
Discount rate	**14.1%**	

In determining the beta, we have considered the information of certain listed companies in Hong Kong which are engaged in the business of operating expressways in China. The following table summarizes the betas of these companies as at 31 December 2010:

Certain Hong Kong listed companies in expressway business	**5 year weekly beta**
Sichuan Expressway Co., Ltd.	0.829
Jiangsu Expressway Co., Ltd.	0.848
Shenzhen Expressway Co., Ltd.	0.941
Zhejiang Expressway Co., Ltd.	0.900
Anhui Expressway Co., Ltd.	0.850
Hopewell Highway Infrastructure Ltd.	0.598
GZI Transport Ltd.	0.608

Source: Bloomberg

The 5-year weekly beta was calculated based on the regression analysis on the weekly returns of the relevant shares of the companies against the weekly returns of Hang Seng Index for the period from 6 January, 2006 to 31 December, 2010.

Please note that in arriving at our assessed values, we have only considered the revenue streams and expenses relevant to the core business of the business enterprises. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, accrual for sinking funds, etc. in the valuation model.

SENSITIVITY ANALYSES

Two sensitivity analyses were prepared to project the results based on the changes of discount rate and the future forecast scenario. The following tables summarize the resulting values of the Subject Companies:

Discount Rate Sensitivity

Discount Rate	**Results** *(RMB million)*		**Discount Rate**	**Results** *(RMB million)*	
	Shenzhen Qinglong	Huayu Expressway Investment		Huayu Qingping	Huayu Eastern
12.1%	2,688	600	13.1%	377	1,453
13.1%	2,532	564	14.1%	333	1,312
14.1%	2,389	532	15.1%	297	1,194

Scenario Sensitivity

Scenario	**Results** *(RMB million)*			
	Shenzhen Qinglong	Huayu Expressway Investment	Huayu Qingping	Huayu Eastern
Optimistic	2,657	592	402	1,407
Base	2,532	564	333	1,312
Conservative	2,406	537	265	1,217

LIMITING CONDITIONS

The conclusion of values is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Shenzhen Qinglong, Huayu Expressway Investment, Huayu Qingping, Huayu Eastern, the Company and Jones Lang LaSalle Sallmanns Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Subject Companies over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses, we are of the opinion that as at 31 December 2010 the fair values of the Subject Companies are reasonably stated as follows:

Name of Company	**Existing Project**	**% Equity Interest**	**Fair Value** *(RMB)*
Shenzhen Qinglong Expressway Company Limited	Shuiguan Expressway	100%	**2,532,000,000**
Shenzhen Huayu Expressway Investment Company Limited	Shuiguan Expressway Extension Line	100%	**564,000,000**
Shenzhen Huayu Qingping Expressway Company Limited	Shenzhen Qingping Expressway	100%	**333,000,000**
Shenzhen Huayu Eastern Expressway Company Limited	Shenzhen Eastern Expressway	100%	**1,312,000,000**

With respect to the effective interest held by Sumgreat, the fair values of the Subject Companies as at 31 December 2010 are reasonably stated as follows:

Name of Company	**Existing Project**	**Effective Interest held by Sumgreat**	**Fair Value** *(RMB)*
Shenzhen Qinglong Expressway Company Limited	Shuiguan Expressway	60%	**1,519,200,000**
Shenzhen Huayu Expressway Investment Company Limited	Shuiguan Expressway Extension Line	60%	**338,400,000**
Shenzhen Huayu Qingping Expressway Company Limited	Shenzhen Qingping Expressway	100%	**333,000,000**
Shenzhen Huayu Eastern Expressway Company Limited	Shenzhen Eastern Expressway	70%	**918,400,000**
		Total	**3,109,000,000**

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited

Simon M.K. Chan
FCPA
Regional Director

Note: Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries in Mainland China, Hong Kong, Singapore and the United States, including infrastructure companies like power plant companies and toll road companies.

(B) REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION

The following is the text of a letter, prepared for the purpose of incorporation in this circular, received from our reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 June 2011

The Directors
Huayu Expressway Group Limited

Dear Sirs,

We have been engaged to report on the arithmetical calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 24 June 2011, prepared by Jones Lang LaSalle Sallmanns Limited in respect of the appraisal of the fair values of the equity interests in Shenzhen Qinglong Expressway Company Limited ("Shenzhen Qinglong"), Shenzhen Huayu Expressway Investment Company Limited ("Huayu Expressway Investment"), Shenzhen Huayu Qingping Expressway Company Limited ("Huayu Qingping"), and Shenzhen Huayu Eastern Expressway Company Limited ("Huayu Eastern"), is based. The Valuation is set out in Part A of Appendix IV of the circular of Huayu Expressway Group Limited (the "Company") dated 24 June 2011 (the "Circular") in connection with the very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital of Sumgreat Investments Limited by the Company. The Valuation which is determined based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out on pages 142 to 148 of the Circular. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages 142 to 148 of the Circular. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the equity interests in Shenzhen Qinglong, Huayu Expressway Investment, Huayu Qingping, and Huayu Eastern, or an expression of an audit or review opinion of the Valuation.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set on pages 142 to 148 of the Circular.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE FINANCIAL ADVISER

Hercules

Hercules Capital Limited

24 June 2011

The Directors
Huayu Expressway Group Limited
Unit 1802, 18/F., West Tower Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the valuation of the fair values of equity interests in 深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited), 深圳市華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited), 深圳華昱清平高速公路有限公司 (Shenzhen Huayu Qingping Expressway Company Limited) and 深圳華昱東部高速公路有限公司 (Shenzhen Huayu Eastern Expressway Company Limited) (collectively, the "Subject Companies") as at 31 December 2010 (the "Valuation") prepared by Jones Lang LaSalle Sallmanns Limited as set out in Appendix IV to the circular of the Company dated 24 June 2011 (the "Circular"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

As stated in the valuation report from Jones Lang LaSalle Sallmanns Limited, the Valuation has been arrived at based on income approach, which takes into account the future cashflow forecast of the Subject Companies. As such, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the forecast upon which the Valuation has been made, for which you as the Directors are solely responsible for, and have discussed with you, Jones Lang LaSalle Sallmanns Limited and Parsons Brinckerhoff (Asia) Limited, the traffic consultant of the Company, the basis and assumptions of the forecast. We have also considered the letter issued by KPMG dated 24 June 2011 addressed to yourselves and ourselves regarding the calculations and accounting policies upon which the forecast has been made.

On the basis of the foregoing, we are satisfied that the forecast upon which the Valuation has been made, for which you as the Directors are solely responsible for, has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo	**Amilia Tsang**
Managing Director	*Director*

24 June 2011

The Directors
Huayu Expressway Group Limited
Unit No. 1802 on 18/F of West Tower
Shun Tak Centre
Nos. 168-200
Connaught Road Central
Hong Kong

Dear Sirs,

TRAFFIC AND TOLL REVENUE STUDY FOR SHUIGUAN EXPRESSWAY, SHUIGUAN EXPRESSWAY EXTENSION LINE, SHENZHEN QINGPING EXPRESSWAY, SHENZHEN EASTERN EXPRESSWAY EXECUTIVE SUMMARY

Parsons Brinckerhoff Asia (hereinafter referred to as "PBA" or the "Consultant") is commissioned by Huayu Expressway Group Limited (also referred to as "Company") to conduct a traffic and toll revenue study (the "Study") for four expressways in the city of Shenzhen, Guangdong province in the People's Republic of China. The purpose of this study is to forecast the average daily traffic and annual toll revenues for the Project throughout the concession period for valuation purposes. The expressways under study are:

1. Shuiguan Expressway

2. Shuiguan Expressway Extension Line

3. Shenzhen Qingping Expressway

4. Shenzhen Eastern Expressway

This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue of the Study is projected in an independent and professional manner.

In conducting the Study, we have based our analyses on site investigation, interviews with local authorities, toll road operators, reviews of available traffic data, feasibility reports and other relevant information. In utilizing the given information from the Company; we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the "Traffic and Revenue Study for Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway and Shenzhen Eastern Expressway". A brief summary of our study approaches and findings are presented below:

1 Introduction

1. Shuiguan Expressway (水官高速公路) from Xinbulong Road (新布龍路) at Buji Town (布吉鎮) to Zhongxin Cheng (中心城) in Longgang District (龍崗區) of Shenzhen, total length 20.14km with 6 toll stations.

2. Shuiguan Expressway Extension Line (水官高速公路延長線) from the Shenzhen Qingshuihe Checkpoint (深圳清水河檢查站) to the Bulong Interchange (布龍立交) on the Shuiguan Expressway, total length 5.25km with one mainline toll station (Shenlong station 神龍收費站).

3. Shenzhen Qingping Expressway (深圳清平高速公路) from the end of the Shuiguan Expressway Extension Line at Bulong/Longjing interchange in Shenzhen (布龍／龍井立交) to Dongguan Gaoerfu Road (東莞高爾夫大道) in Dongguan, total length approximately 12.7km with 5 interchanges. It is currently under construction and is expected to begin operation in 2013.

4. Shenzhen Eastern Expressway (深圳東部過境高速公路) from the Liantang Port (蓮塘口岸) to the interection of Shenhui and Shenshan Expressway (深惠與深汕高速公路交匯處) in Shenzhen. Total length of the road is 32.80km and it is anticipated to open in 2014.

Description and key technical elements of the subject toll roads have been summarized in Table 1.1.

Table 1.1 General Descriptions and Summary of Key Technical Elements

	Shuiguan Expressway	**Shuiguan Expressway Extension Line**	**Shenzhen Qingping Expressway**	**Shenzhen Eastern Expressway**
Highway Classification	Expressway			
Access Control	Control Access			
Configuration	10 lanes	6 lanes	6 lanes	6 lanes
Design Speed	80km/hr	80km/hr	80km/hr	80km/hr
Length	20.14km	5.25km	12.7km	32.8km
Daily Cross Sectional Capacity (vehicles per day)	176,000	113,000	113,000	110,000

2 Objective and Service Scope

The objective of the study is to forecast the future travel demand and revenue potential of Shuiguan Expressway, Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway, Shenzhen Eastern Expressway.

The scope of work comprises information collection, on-site traffic surveys, traffic analysis, future traffic projections and toll revenue forecasts. Major activities involve:

- Review of available planning and feasibility studies related to the subject facility,
- Collection of socio-economic information of the study area,
- Collection of historical traffic and toll rate information of related facilities,
- Formulation of traffic forecasting methodology,
- Analyzing possible impacts from nearby developments and roads, and
- Preparation of traffic forecasts for the toll facility, preparation of toll revenue projections in accordance with the traffic forecasts.

3 Traffic Forecasting Methodology

The study was built upon the technical analysis and findings from previous studies of similar nature conducted by the Consultant in China. Relevant information collected and accumulated from other projects had also been incorporated in this study. The methodology used for these traffic forecasts was synthesized from conventional methods which are widely adopted by toll road studies and have been applied to similar toll roads in China. The traffic forecasting methodology for this study is made up of three technical stages:

1. Data Inventory and Review

The key objective for this technical stage is to collect and organize the existing available information for the use of the next stage of work. Typical information to be inventoried includes historical network data, O-D data, toll traffic and revenue data, socio-economic data and previous analyses and reports.

2. Definition of Technical Approach

The goal is to develop the most appropriate technical methodology for the study. The determination of types of method depends on the availability and the quality of the data as well as the overall project programme.

3. *Travel Demand Forecast*

Synthesized the information and findings from previous stage, the existing traffic pattern is defined at this stage. With appropriate key traffic variables, the future travel demand and analyses are derived. These variables comprise:

- Economic indicators and growth of travel demand,
- Physical conditions of the road and its carrying capacity,
- Vehicle classifications and mixture for each segment,
- Origin and destination for each class of vehicles.

To offer a better picture of the various possible outcomes in the future, the traffic forecasts are presented under two scenarios: optimistic and conservative cases.

4 Key Assumptions

The general assumptions defined in the Study are as follows:

- Travel demand is closely related to economic activities and land uses, and the official Gross Domestic Product ("GDP") in the 11th Five-Year Plan of the study area including Longgang and Shenzhen have been referenced for future forecasts.
- Future expressways that will have an impact on the traffic volumes of the Study are:
    - Shenzhen Eastern Expressway — Shenzhen Eastern Expressway is one of the expressways under study. It runs parallel to the Shuiguan Expressway, and therefore it will potentially divert some traffic away from Shuiguan Expressway.
    - The Outer Ring Road — the Shenzhen Outer Ring Road runs along the northern boundaries of Shenzhen. It will feed traffic into Shenzhen Qingping Expressway by linking it with the Guangzhou-Dongguan Expressway. And since Shenzhen Qingping Expressway is directly joined into Shuiguan Expressway Extension Line, it is anticipated that Shuiguan Expressway Extension Line will also benefit from the Outer Ring Road to some extent.

5 Summary of Traffic Projections

The traffic forecast for the Study is carried out for the period of 2011 to 2040. Projected daily traffic on the Study are summarized in Table 5.1 and 5.2. They are presented in "mixed vehicles" units under two scenarios.

Table 5.1 Average Daily Traffic (in mixed vehicles) — Optimistic Scenario

Year	Shuiguan Expressway	Shuiguan Expressway Extension Line	Shenzhen Qingping Expressway	Eastern Expressway
2011	168,740	49,960	—	—
2012	182,240	53,950	—	—
2013	196,740	76,630	66,900	—
2014	207,190	82,750	72,400	64,000
2015	223,750	89,370	78,370	69,780
2020	282,430	112,820	106,080	97,610
2025	282,430	112,820	130,640	122,520
2030	282,430	112,820	160,990	128,250
2040	282,430	112,820	182,510	128,250

Table 5.2 Average Daily Traffic (in mixed vehicles) — Conservative Scenario

Year	Shuiguan Expressway	Shuiguan Expressway Extension Line	Shenzhen Qingping Expressway	Eastern Expressway
2011	164,220	48,600	—	—
2012	174,070	51,520	—	—
2013	184,450	71,800	62,690	—
2014	190,640	76,110	66,600	62,930
2015	202,060	80,670	70,740	67,460
2020	257,870	102,950	90,300	89,990
2025	282,430	112,820	105,920	108,410
2030	282,430	112,820	124,310	128,250
2040	282,430	112,820	171,490	128,250

6 Toll Rate

The assumed toll rates of the Study are based on current toll rates of expressways in Guangdong province, shown as follow:

		RMB/vehicle-km
Class 1	Passenger cars/vans and motorcycle (2-axle with 2-4 wheels)	0.6
Class 2	Light vans/light and small goods vehicles (2-axle with 4 wheels)	0.9
Class 3	Small, medium and large passengers vehicles/medium goods vehicles (2-axle with 6 wheels)	1.2
Class 4	Extra large passenger vehicles/large goods vehicles/20 ft container truck (3-axle with 6-10 wheels)	1.8
Class 5	Double deck passenger vehicles/heavy goods vehicles/heavy truck & trailer/40 ft container truck (>3-axle with > 10 wheels)	2.4

7 Summary of Future Toll Revenue Estimations

The future daily toll revenue is calculated by applying the current toll structures to the average daily traffic for each vehicle class. Annualization factor has been used for the conversion from daily toll revenue to annual revenue. An annualization factor of 365 is used to calculate annual revenue in this study.

Summaries of the toll revenue estimations of the Study are presented in Table 7.1and 7.2 under two scenarios.

Table 7.1 Annual Revenue (in million RMB) — Optimistic Scenario

Year	Shuiguan Expressway	Shuiguan Expressway Extension Line	Shenzhen Qingping Expressway	Eastern Expressway
2011	601	115	—	—
2012	649	124	—	—
2013	701	170	156	—
2014	739	184	169	582
2015	798	199	183	641
2020	1,007	251	249	927
2025	1,007	251	307	1,192
2030	1,007	251	380	1,254
2040	1,007	251	432	1,254

Table 7.2 Annual Revenue (in million RMB) — Conservative Scenario

Year	Shuiguan Expressway	Shuiguan Expressway Extension Line	Shenzhen Qingping Expressway	Eastern Expressway
2011	585	112	—	—
2012	620	119	—	—
2013	657	160	146	—
2014	680	169	156	571
2015	721	179	165	618
2020	920	229	211	854
2025	1,007	251	248	1,048
2030	1,007	251	292	1,254
2040	1,007	251	406	1,254

8 Conclusion

The Consultant concluded that the traffic forecasts and toll revenue projections developed from the above methodology and on the above assumptions are in line with common professional practice and meet the objectives of the agreed scope of works with Huayu Expressway Group Limited.

Yours Sincerely
PARSONS BRINCKERHOFF (ASIA) LIMITED

Annie Lai
Project Manager

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2011 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

24 June 2011

The Board of Directors
Huayu Expressway Group Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Huayu Expressway Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interests, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the Group in Hong Kong held under the Government Leases expiring before 30th June, 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30th June, 2047 and that a rent of three per cent of the then ratable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with a copy of tenancy agreement relating to the property interest and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including tenancy agreements relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited

Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and 18 years of property valuation experience in the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*
1.	East Level 3 MO Building High-tech Development Zone Huoju City Changsha City Hunan Province the PRC	No commercial value
2.	Flat A, on Level 17, Block 1 Prince Palace Garden North Station Road Changsha City Hunan Province the PRC	No commercial value
3.	Unit 6, on Level 4 and Levels 5-6 Government Service Center Yunxi District Yueyang City Hunan Province the PRC	No commercial value
	Sub-total:	**Nil**

Group II — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 March 2011 *RMB*
4.	Unit No. 1802 on 18th Floor of West Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong	No commercial value
	Sub-total:	**Nil**
	Grand total:	**Nil**

VALUATION CERTIFICATE

Group I — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
1.	East Level 3 MO Building High-tech Development Zone Huoju City Changsha City Hunan Province the PRC	The Property comprises a unit on Level 3 of an 8-storey office building completed in about 1999. The Property has a gross floor area of approximately 20 sq.m. (215.28 sq.ft.). Pursuant to a Tenancy Agreement made between Hunan Daoyue Expressway Industry Co., Ltd. as Lessee and Changsha High-tech Development Zone Business Service Center (長沙高新科技術開發區創業服務中心) as agent of Lessor, an independent third party, the property is leased by the Group for a term of 1 year commencing from 1 July 2010 and expiring on 30 June 2011 at a monthly rental of RMB240 exclusive of management fee and other outgoings.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreement regarding the property is legal, valid and binding. The lessor has the rights to lease out the property and lessee has rights to use the property according to the prescribed use as stated in the Tenancy Agreement; and

   b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant government authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
2.	Flat A on Level 17 Block 1 Prince Palace North Station Road Changsha City Hunan Province the PRC	The Property comprises a unit on Level 17 of a 25-storey residential building completed in about 2000. The Property has a gross floor area of approximately 160 sq.m. (1,722 sq.ft.). Pursuant to a Tenancy Agreement made between Hunan Daoyue Expressway Industry Co., Ltd. as Lessee and Chen Jiang (陳江) as agent of Lessor, an independent third party, the property is leased by the Group for a term of 1 year commencing from 1 February 2011 and expiring on 31 December 2011 at a monthly rental of RMB3,800 exclusive of management fee and other outgoings.	The property is currently occupied by the Group for ancillary office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreement regarding the property is legal, valid and binding. The lessor has the rights to lease out the property and lessee has rights to use the property according to the prescribed use as stated in the Tenancy Agreement; and

   b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant government authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
3.	Unit 6 on Level 4 and Levels 5-6 Government Service Center Yunxi District Yueyang City Hunan Province the PRC	The Property comprises units on Levels 4-6 of a 6-storey office building completed in about 2005. The Property has a gross floor area of approximately 860 sq.m. (9,257 sq.ft.). Pursuant to a Tenancy Agreement made between Hunan Daoyue Expressway Co., Ltd., as Lessee and Yueyang City Yunxi District Government Service Center (岳陽市雲溪區政務服務中心), as Lessor, an independent third party, the property is leased by the Group for a term commencing from December 2007 and expiring on September 2010 and the tenancy has been renewed for a further 1 year at a monthly rental of RMB13,000 exclusive of water and electricity charges and other outgoings.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreement regarding the property is legal, valid and binding. The lessor has the rights to lease out the property and lessee has rights to use the property according to the prescribed use as stated in the Tenancy Agreement; and

   b. In accordance with PRC Laws and regulations, the Tenancy Agreement has not been registered with the relevant government authority, the validity of the agreement will not be affected.

VALUATION CERTIFICATE

Group II — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 *RMB*
4.	Unit No. 1802 on 18th Floor of West Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong	The Property comprises a unit on the 16th floor of a 39-storey office building above a commercial podium completed in about 1985. The Property has a gross floor area of approximately 1,433 sq.ft. (133.13 sq.m.). Pursuant to a Tenancy Agreement made between Good Sign Limited, as Lessee and Houston Investment Limited as Lessor, an independent third party, the property is leased by the Company for a term of 2 years commencing from October 30, 2010 and expiring on October 29, 2012 at a monthly rental of HKD47,619 exclusive of rates and management fee, air-conditioning charges and other outgoings.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of the Property is Houston Investment Limited vide Memorial No. 07111501550023 dated October 18, 2007.

2. The Property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB3018018 dated March 4, 1986.

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 matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	HK$
Authorised	
10,000,000,000 Shares	100,000,000
Issued and fully paid	
412,608,000 Shares	4,126,080

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Directors/ Chief Executive	**Nature of Interest**	**Number and class of securities[(1)]**	**Approximate percentage of interest in such corporation**
Chan Yeung Nam	Interest of controlled corporation [(2)] and Beneficial Owner	L 1,080,000,000	261.75%

Notes:

1. The Letter "L" denotes the person's long position in such Shares.

2. Mr Chan, an executive Director and Chairman of the Board, is taken to be interested in 300,000,000 Shares held by VIL as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(b) Substantial Shareholders

So far as is known to any Director, as at the Latest Practicable Date, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Directors/ Chief Executive	**Nature of Interest**	**Number and class of securities(1)**	**Approximate percentage of interest in such corporation**
Velocity International Limited	Beneficial Owner	L 300,000,000	72.71%
Chan Yeung Nam	Interest of controlled corporation (2) and Beneficial Owner	L 1,080,000,000	261.75%

Notes:

1. The Letter "L" denotes the person's long position in such Shares.

2. Mr. Chan, an executive Director and Chairman of the Board, is taken to be interested in 300,000,000 Shares held by VIL as at the Latest Practicable Date.

4. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation). The aggregate remuneration payable to and benefits in kind receivable by the directors of the acquiring company will not be varied in consequence of the Acquisition.

(b) Competing interests

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

(c) Directors interests in assets

Save as disclosed, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of or leased since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(d) Directors interests in contracts

Other than the Share Purchase Agreement, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

(i) an instrument of transfer dated 29 May 2009 entered into between Top Talent Holdings Limited ("Top Talent") and Fameluxe Investment Limited ("Fameluxe") for the transfer of one share of HK$1.00 in Bright Regent Limited ("Bright Regent") from Fameluxe to Top Talent for nil consideration;

(ii) a supplemental agreement dated 28 June 2009 entered into between Shenzhen Huayu Investment & Development (Group) Co., Ltd and Good Sign Limited ("Good Sign") in respect of the amendments to the joint venture agreement dated 28 February 2009 to reflect the increase in the total investment amount and registered capital of Hunan Daoyue Expressway Industry Co., Ltd;

(iii) a share transfer agreement dated 30 November 2009 entered into between Mr. Chan, VIL and the Company for transfer of the entire issued share capital of Top Talent to the Company in consideration of the Company issuing 299,999,999 Shares to VIL;

(iv) an instrument of transfer dated 30 November 2009 entered into between VIL and the Company for the transfer of one share of US$1.00 in Top Talent from VIL to the Company in consideration of the Company issuing 299,999,999 Shares to VIL;

(v) a deed of non-competition dated 30 November 2009 entered into by Mr. Chan, VIL and Huayu Investment in favour of the Company (for itself and on behalf of our subsidiaries);

(vi) a deed of assignment dated 7 December 2009 entered into between Mr. Chan, the Company, Top Talent and Good Sign and Bright Regent, pursuant to which Mr. Chan assigned the balances due from each of Top Talent, Good Sign and Bright Regent in the amounts of HK$452,460,907.16, HK$60,002,849 and HK$924,236.70 respectively to the Company;

(vii) a deed of indemnity dated 7 December 2009 entered into among VIL, Mr. Chan and the Company for itself and as trustee for its subsidiaries, under which VIL and Mr. Chan have given certain indemnities in favour of the Group;

(viii) a public offer underwriting agreement dated 10 December 2009 entered into between, among others, the Company, Mr. Chan, VIL and Mizuho Securities Asia Limited; and

(ix) a placing underwriting agreement dated 17 December 2009 entered into between, among others, the Company, Mr. Chan, VIL and Mizuho Securities Asia Limited.

6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualifications
Goldin Financial	a licensed corporation to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO
KPMG	Certified Public Accountants
Parsons Brinckerhoff (Asia) Limited	Traffic consultant
Jones Lang LaSalle Sallmanns Limited	Professional property and business valuers
Jingtian & Gongcheng	PRC legal adviser
Hercules Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

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

7. INTERESTS OF EXPERTS

As at the Latest Practicable Date, each of the above named experts:

(a) does not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; and

(b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration 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 Enlarged Group.

9. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company in Hong Kong is at Unit no. 1802 on 18th floor of West Tower, Shun Tak Centre, 168- 200 Connaught Road, Central, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) Mr. Sin Ka Man is the company secretary of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Associate of Chartered Certified Accountants.

(d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Unit no. 1802 on 18th floor of West Tower, Shun Tak Centre, 168- 200 Connaught Road, Central, Hong Kong up to and including 8 July 2011:

(a) the articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2009 and 31 December 2010;

(c) the Share Purchase Agreement;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 49 of this circular;

(e) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(f) the report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this circular;

(h) the letter of advice from Goldin Financial, the text of which is set out on pages 50 to 68 of this circular;

(i) the business valuation report issued by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV of this circular;

(j) the traffic studies report from Parsons Brinckerhoff (Asia) Limited, the text of which is set out in Appendix V of this circular;

(k) the valuation report on property interests of the Enlarged Group, the text of which is set out in Appendix VI of this circular;

(l) the written consent from the experts as referred to under the section headed "Qualifications and Consents of Experts" of this appendix; and

(m) this circular.

As at the date of this notice, the executive Directors are Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Chen Kai Shu, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing, Mr. Yue Feng and Ms. Mao Hui and the independent non-executive Directors are Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.

HUAYU EXPRESSWAY GROUP LIMITED
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1823)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Huayu Expressway Group Limited (the "**Company**") will be held at Harbour Room, Orrick, Herrington & Sutcliffe, 43/F, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 15 July 2011 at 11:00 a.m. for the following purpose:

As Special Business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. "**THAT:**

   (a) the Share Purchase Agreement (a copy of which is tabled at the EGM, marked "A" and initialed by the chairman of the EGM for identification purpose) and the connected transaction (as defined under the Listing Rules) contemplated thereunder, be and are hereby approved, confirmed and ratified;

   (b) any one director ("Director") and/or the company secretary of the Company be and is hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Share Purchase Agreement and the connected transaction contemplated thereunder."

2. "**THAT** conditional upon the passing of ordinary resolution 1 above, and the Listing Division of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares, the grant of a specific mandate for the allotment and issue of the Consideration Shares be and is hereby approved."

3. "**THAT** conditional upon the passing of ordinary resolution 1 above:

   (1) subject to paragraphs (3) and (4) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar right to subscribe for any shares or convertible securities of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power, for the sole purpose of fulfilling any conditions set out in the Share Purchase Agreement, be and is hereby generally and unconditionally approved;

(2) the approval in paragraph (1) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(3) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (1) of this resolution, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible persons thereunder of shares or rights to acquire shares in the capital of the Company; (iii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; or (iv) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed HK$7,800,000, representing 780,000,000 shares of the Company of HK$0.01 each (‘Shares’), and the said approval shall be limited accordingly;

(4) any issue, allotment and dealings with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar right to subscribe for any shares or convertible securities of the Company and the making or grant of any offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) upon the exercise of any power by the Directors pursuant to this resolution shall not result in the Company issuing any Shares at less than HK$1.28 per Share; and

(5) for the purpose of this resolution,

‘**Relevant Period**’ means the period from the passing of this resolution until whichever is the earliest of:

(i) the expiration of a period of 120 days from the passing of this resolution; or

(ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

‘**Rights Issue**’ means an offer of shares of the Company open for a period fixed by the Directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

At the EGM, Mr. Chan Yeung Nam and his associates, including Velocity International Limited, are required to abstain from voting in relation to resolutions 1 and 3 above approving the Share Purchase Agreement and the transaction thereunder.

Save as disclosed above, no other Shareholders would be required to abstain from voting at the EGM pursuant to the Listing Rules and/or the articles of association of the Company.

By Order of the Board
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

Hong Kong, 24 June 2011

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on poll, vote on his behalf. A proxy need not be a Shareholder of the Company.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.

3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at the Tricor Investor Services Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, at least 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

5. For the purposes of the EGM, the register of members of the Company will be closed from 14 July 2011 to 15 July 2011 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m., 13 July 2011.

6. Unless otherwise specified in herein, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 24 June 2011.

As at the date of this notice, the executive Directors are Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Chen Kai Shu, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing, Mr. Yue Feng and Ms. Mao Hui and the independent non-executive Directors are Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.